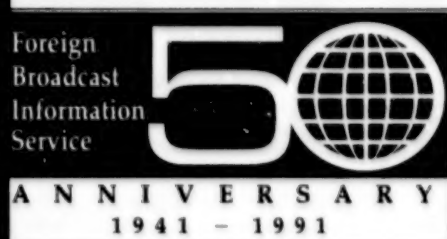


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East Europe

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CONTENTS

15 May 1991

POLITICAL

INTERNATIONAL AFFAIRS

- World Conference of Hungarians Held in Ungvar [Budapest UJ SZO 8 Mar] 1

ALBANIA

- Charge d'Affaires Bejo Arrives in Washington [Tirana Radio] 2
Miners on Strike; Demand Improved Conditions [Tirana Radio] 2

BULGARIA

- Draft of New Constitution Presented to Parliament [BTA] 2
Lukanov on 'Blue Folder' at Press Conference [BTA] 3
Chairman Dertliev Addresses BSDP Congress [SVOBODEN NAROD 25 Mar] 3
Comments by Dertliev on SDS Election Platform [SVOBODEN NAROD 4 May] 6
BNDP Elects New Chief Party Organizer [ZORA 12 Mar] 7
Background, Future of Fatherland Union [OTECHESTVEN VESTNIK 8 Mar] 7

CZECHOSLOVAKIA

- Draft of New Social Policy Prepared [LIDOVE NOVINY 4 Apr] 9
Further Polarization in VPN Wings Viewed [PRAVDA 4 May] 10
Pithart on Agriculture Problems, Slovakia Issues [MLADA FRONTA DNES 2 May] 11

HUNGARY

- Powerful Constitutional Court Seen Emerging [HETI VILAGGAZDASAG 27 Apr] 12
Security Service Head Denies Taping Politician [NEPSZABADSAG 26 Mar] 15

POLAND

- Bujak's Social-Democratic Movement Party Formed 15
Worker, Peasant Appeal [TRYBUNA 23 Apr] 15
Program, Alliances Noted [TRYBUNA 23 Apr] 16
Officials Comment on Security Goals [TYGODNIK SOLIDARNOSC 19 Apr] 16

ROMANIA

- Minority Paper Reports Iliescu Press Conference [ROMANIAI MAGYAR SZO 26 Apr] 20

YUGOSLAVIA

- Bucar Addresses Pan-European Union Meeting [DELO 22 Apr] 21
Tudjman's Proclamation on 19 May Referendum [VJESNIK 6 May] 21
Rift in Socialist Party of Serbia Reported [DANAS 7 May] 23
Slovene Member of Parliament on Sovereignty [NEODVISNI DNEVNIK 25 Apr] 24

MILITARY

BULGARIA

- Army, Defense Ministry Change Names [BTA] 26

ECONOMIC

BULGARIA

Problem of Distributing U.S. Grain [168 CHASA 2 Apr]	27
Financial Scandal at Tekhnoeksportstroy [168 CHASA 19 Mar]	28

CZECHOSLOVAKIA

Management Hampering Reform; Investors Criticized [HOSPODARSKE NOVINY 14 Mar]	30
Central Bank Chief Positive on Economic Reform [PRAVDA 4 May]	31
Industry Petition for Protection Criticized [HOSPODARSKE NOVINY 22 Mar]	32

POLAND

French Institute Offers Management Training [Paris LE MONDE 3 Apr]	35
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YUGOSLAVIA

Plans To Expand Economic Cooperation With Japan [EKONOMSKA POLITIKA 1 Apr]	36
Appropriation of Croatian Firms by Serbia Scored [EKONOMSKA POLITIKA 1 Apr]	37
Serbian Vice President on Republic's Economy [POLITIKA 7 Apr]	40

INTERNATIONAL AFFAIRS

World Conference of Hungarians Held in Ungvar

91CH0504A Budapest UJ SZO in Hungarian 8 Mar 91
p 5

[Article by Dr. Janos Fothy: "Here You Must Live and Die; World Conference of Hungarians in Sub-Carpathia"]

[Text] On 26 February, the Cultural Federation of Sub-Carpathian Hungarians celebrated the second anniversary of its existence. A three-day scientific conference was organized on this occasion during last week in Ungvar under the title "Hungarians of the Carpathian Basin at the End of the 20th Century." In addition to those invited from Hungary, Hungarians were arriving at this conference from about twenty other countries, mainly from neighboring countries, including religious and secular representatives of Hungarians scattered in the West. A few members of the Hungarian Christian-Democratic Movement, two engineers Bela Bugar and Pal Farkas, Dr. Erik Orosz, and a writer, were also present at the discussion.

There are few places in Europe that have been more torn in this century than Sub-Carpathia. Although it may seem an anecdote, it is a sad fact that, during his lifetime, a local citizen of about 75 years of age has served five lords, five regimes, five kinds of power, and that the state border has changed around him five times while he has never left his town. These rather tragic and capricious winds left deep marks on the local people. Starting from these historical facts, the Cultural Federation of Sub-Carpathian Hungarians determined its program's goal to be the achievement of complete equality of nations and nationalities, the rehabilitation of political prisoners, the free use of national symbols and bilingual signs, and the establishment of an autonomous district with Beregszasz as its center.

The CARPATHIAN MAGYAR WORD wrote on 2 March that since the Occupation of the Land, Hungarians have hardly ever made such a long journey as now to meet with each other here under the Carpathian Mountains, to shake hands, to hug each other and to be happy to see each other again.

The festive opening of the congress took place in Ungvar's theater. National flags were placed at the two sides of the stage, and our poet's admonition, carved in our hearts, a special memento to Hungarians living in minority, was placed in the foreground: "Here you must live and die...."

KMKSZ [Cultural Federation of Sub-Carpathian Hungarians] President Sandor Fodo said a few festive words of welcome and then read the messages to the conference by Leonid Kravchuk, president of the Presidium of the Ukrainian Socialist Soviet Republic's Supreme Council, and Arpad Goncz, president of the Republic of Hungary.

Following that, he emphasized that the Cultural Federation of Sub-Carpathian Hungarians has become a significant factor in this region's cultural and political life. It is not possible anymore to engage in politics or to make decisions in issues connected with the lives of Hungarians without it. The KMKSZ is a political force, organized on the basis of nationality, which considers it important to cooperate with other nationalities and with the majority nation's partner organizations. The speaker also mentioned the Hungarians living in the neighboring countries. With regard to Hungarians in Slovakia, he mentioned that, according to his information, the necessary harmony between the three Hungarian political movements does not exist. If these three movements cannot agree on matters of vital importance to the Hungarians, then their existence as a minority is endangered. The president made special mention of relations with the mother country which could not even be mentioned in the past. Today, these relations are being improved day by day.

The first guest to speak was Attila Komlos, Secretary General of the World Federation of Hungarians. He said that the KMKSZ was the first among the nationality cultural organizations in the neighboring countries that joined the World Federation of Hungarians, demonstrating that Sub-Carpathia's Hungarians are an inalienable part of the world's Hungarians. Laszlo Lesko's speech elicited great interest. He brought with him from Alma Ata the greetings of Kazakhstani Hungarians. Presently, about 3,000-4,000 Hungarians live in that faraway region, most of them being dislocated persons from Sub-Carpathia or prisoners of war from World Wars I and II who stayed there. Several members of the second and third generations do not even know their native language anymore but feel emotionally bonded to the Hungarians. Engineer and President Bela Bugar greeted the participants in the name of the Hungarian Christian-Democratic Movement and talked about the movement's role in Hungarian public life in Slovakia. He cordially invited the participants to the prayer and holy mass to be held in Komarom on 12 May, organized for the establishment of a Magyar Diocese in Komarom.

The conference then continued in two sections. We learned that two factors played key roles in helping Sub-Carpathia's Hungarians survive. They were the church and the school. Both the school and the church were in a grave crisis during the past decades. During the 1950's, most of the clergymen were taken away, the churches were closed, religious education was banned, and people who tried to exercise their religions were persecuted. For instance, there is not a single Catholic priest in the Ungvar region, and seven parsonages are vacant. There is no one to baptize, no one to bury... Elemer Ortutay, Eastern Orthodox Bishop of Ungvar, came to the meeting from his sickbed. He emphasized in his dramatic speech that we have been forced to be silent, the diabolic trickery has had mercy on no one; our churches were turned into warehouses, religious education was banned, and they believed that if they eliminated everything, no one in Sub-Carpathia would ever

speak or pray in Hungarian anymore. Now the minute-men's carousing has come to an end. The tears in our eyes are signs, not of cowardice but of pride in having preserved our faith and our Hungarian identity, in our love of our nation and language, and in our standing up for our human rights. Csaba Skultethy, scholar of minorities, presidium member of the Pax Romana Catholic Hungarian Intellectuals' Movement, emphasized that the church would like to be society's leaven and conscience and, thus, God's mission to man. After the dictatorial regime's collapse, the liberated people of Central-East Europe must learn about the culture of freedom while preserving the culture of love, for we are in this respect ahead of the materialistic West. Emphatic speeches about Sub-Carpathian youth studying in Hungary were heard at the second section's meeting. Many of them do not return to their native land after earning their university degrees. This is a phenomenon that causes great concern, because intellectuals are precisely one of the pillars and the sustaining force of a national minority.

On Sunday, the third day of the conference, an ecumenical mass was held in the local stadium, celebrated, among others, by Nagyvarad Bishop Laszlo Tokes. This is how work was replaced by prayer, true to the eternal spirit of *Ora et labora*. We drew strength and faith for our continued work during these three days. The common sky of the universal Hungarian spirit, from which the sinister spirits of assimilative greediness, suspicion, and hatred separated [Hungarians] for such a long time, is our consolation and hope. Coming out of our paralysis in revived Europe, we seize the new opportunities for survival as equal partners with the majority nations, confident that the Carpathian Basin's minority Hungarians can step into a new period of their history.

ALBANIA

Charge d'Affaires Bejo Arrives in Washington

AU0605191691 Tirana Domestic Service in Albanian
1800 GMT 6 May 91

[Text] Sazan Bejo, charge d'affaires of the Embassy of the Republic of Albania to the United States, and other diplomats who will work on the imminent opening of the Embassy of the Republic of Albania to the United States arrived in Washington yesterday.

They were met in Washington by James Swihart, director of the Office of Eastern European and Yugoslav Affairs, and other State Department officials.

Curtis Kamman, deputy assistant secretary of state, today received Sazan Bejo, charge d'affaires of the Republic of Albania to the United States, and the other diplomats. During the meeting, which passed in a friendly atmosphere, Mr. Kamman expressed his positive appreciation of the reestablishment of diplomatic relations between Albania and the United States and

said he hoped that they will progress further in the mutual interests of the two peoples and countries.

For his part, Sazan Bejo stressed that the opening of the embassy will help to build relations and to develop political dialogue and cooperation between our two countries in all fields. Genc Mloja, charge d'affaires of the Mission of the Republic of Albania to the United Nations, was also present.

Miners on Strike; Demand Improved Conditions

AU0305191791 Tirana Domestic Service in Albanian
1800 GMT 3 Apr 91

[Summary from poor reception] As announced, the miners of the Bater and Kraste chrome mines in Mat District are on strike, demanding improved conditions. The strike committee has also notified the Presidency of the People's Assembly about its demands. The strike committee has held talks with the authorities, including representatives of the Ministry of Industry, Mines, and Energy and the Ministry of Internal Trade. The strikers' demands were considered justified and a commission was formed to implement their demands, including the allocation of more buses, the acceleration of the construction of a new aqueduct, and improved supplies to the shops where the miners and their families buy foodstuffs and other necessary articles. The miners have also demanded improvements in their clinic. Contacts continue between the strike committee and the authorities in order to put an end to the strike as quickly as possible. The strike has caused damage to the economy owing to the nonfulfillment of chrome deliveries for the export market.

BULGARIA

Draft of New Constitution Presented to Parliament

AU1505080691 Sofia BTA in English 2112 GMT
14 May 91

[Text] Sofia, May 14 (BTA)—The draft of the new constitution of Bulgaria was presented in parliament today. The debates will start on Thursday.

The final draft is based on the 16 submitted versions. Five of them were submitted by political parties. The final version covers 40 pages. It is to be passed by a qualified majority of two-thirds, on three readings.

Experts define it as a draft of a constitution of a democratic state. Some explain its extensiveness by the ambition to fully regulate all important issues.

The draft strikes one with the extensive rights it grants parliament. "This is characteristic of the states effecting a transition from totalitarianism to democracy and is a reaction against the past when the Bulgarian parliament used to be a mere fake," a jurist and MP explained.

The president's powers have been considerably reduced although the draft constitution provides for the holding of direct presidential elections. In the lobbies, however, even MP's of the Socialist Party [BSP] spoke against restricting presidential powers to such an extent. They believe that some changes may be expected after the debates. Well-informed sources from the Constitutional Drafting Committee said that the presidential powers were cut with the active participation of BSP MP's. The present president comes from the opposition. But opposition MP's also contributed to the curtailment of the powers of the president in the draft. Their motive was not to allow a concentration of power in the hands of one person.

The draft dwells in detail on the rights of the citizens.

The definition of Bulgaria as a "social state" is expected to give rise to disputes.

A bill has been moved in parliament for holding a referendum on the form of government in Bulgaria. It is still unclear when and whether it will be discussed. The draft constitution defines this country as a "parliamentary republic."

The establishment of a constitutional court provided for in the draft of the constitution is new for Bulgaria.

Lukanov on 'Blue Folder' at Press Conference

AU1405151691 Sofia BTA in English 1436 GMT
14 May 91

["More on the Secret of the 'Blue Folder' and the Claim Against the BSP [Bulgarian Socialist Party]"—BTA headline]

[Text] Sofia, May 14 (BTA)—"I'll start with the 'blue folder' again, although its contents proved trivial and meager," Mr. Andrey Lukanov, deputy chairman of the Supreme Council of the BSP [Bulgarian Socialist Party] (ex-BCP [Bulgarian Communist Party]), said at a regular press conference. Speculations about this folder have been constantly appearing in the press ever since Finance Minister Ivan Kostov handed this rather unexpected "present" to the ex-prime minister of the Socialists' cabinet Mr. Andrey Lukanov at the end of their TV dispute. Mr. Ivan Kostov declined to open the "blue folder" and pointed out that he was not after sensations. A cursory glance at its contents, however, clearly revealed before the eyes of the more observant viewers the name of Leonid Grekov, ambassador of the USSR to Bulgaria from 1983 to March 1988.

Today Mr. Lukanov pointed out once again that the "blue folder" is no sensation and then repeated almost word for word yesterday's statement of the BSP leadership that from 1959 through 1987 the BCP made hard currency remittances to an international fund intended for rendering financial assistance to communist and workers' parties. He pointed out, however, that he himself had not known of the existence of this fund.

According to Mr. Lukanov, there are no reasons to seek any criminal aspects in the story as all was based on normative acts absolutely legal at that time. Answering a question Mr. Lukanov said that the annual contributions of the BCP in the fund amounted to 500,000 U.S. dollars.

Dwelling on the claim Mr. Ivan Kostov has lodged against the BSP, Mr. Lukanov defined it as a "political action directly aimed against the BSP." He said that the chief goal pursued by certain forces is, through undemocratic means, to strip the major opponent of its material base and financial resources in the coming elections. "If the court finds the claim justified, we will be forced to defend our rights through appropriate juridical and not only juridical arguments," Mr. Lukanov said.

Chairman Dertliev Addresses BSDP Congress

91BA0446A Sofia SVOBODEN NAROD in Bulgarian
25 Mar 91 pp 1, 4

[Article by Dr. Petur Dertliev, chairman of the Bulgarian Social Democratic Party, BSDP: "There Is No Freedom Without Solidarity, and There Is No Solidarity Without Justice"]

[Text] I shall speak after the one to whom I owe this light that shines within me, after the person who teaches us social democracy, the person who took his untamed willpower and intellect through concentration camps and jails and showed us what a social democrat is and what he should be. I thank you.

I was asked one year ago about the kind of party we had. Was it the party of nostalgia? No. Nostalgia is beautiful but helpless. We are a party of the memory and the party of aspirations for the future.

The fathers of our party were strange people. And the people gave them the strange name of larks. What could be more poetic?

These were larks that flew up into the blue sky and that could see far into the distance.

From you, friends from the International, we borrowed a great deal. However, we smelted it with our Bulgarianism. Imagine this modest country and see the way, as early as 1903, in which a Bulgarian who had absorbed all the knowledge of Europe came home and, long before the European ideologues, provided the most modern concepts of social democracy. This was a social democracy that, in the struggle against totalitarianism, without any claim to party monopoly, with every passing day, built the well-being of its people. Yes, the larks could see far into the future and created the shoots of a new society in this primitive land.

The ideal was ahead of them, but the land was under their feet, and they worked and created banks and

production and agricultural cooperatives, giving the ordinary Bulgarian people economic pride and a feeling of solidarity.

Until yesterday, two concepts dominated and were pitted against each other. The first was that the collective was everything; the second was that the individual is everything. The social democrats said no! It is the collective, made of individuals, that is everything. The individual cannot be alone, by himself, and the collective is faceless without individuals. Social democracy is in favor of a collection of individuals who make up the beautiful, entire, and proud human collective. That is what social democracy is. It was that social democracy that developed without pompous and revolutionary speeches, without euphoria, because there can be no greater courage than that of being steadfast. There is no greater courage than working day after day and hour after hour for the well-being of your people. Are we reformists? Yes, because reform does not need a return to the past. It does not need leaps that break the legs. We marched, and we shall continue to march, step by step, toward the creation of a happy, peaceful, and prosperous Bulgaria.

The more primitive a society is, the more it tends to engage in euphoria. There are people here from my age group who remember 9 September 1944. A tremendous percentage of the Bulgarian people welcomed that day with hope. We had been promised that the bourgeoisie would go away, that we were coming to power, and that everything had been resolved. Everything was ours, common. We would be singing and building the new society. This euphoria lasted only a few days. Then began the horror of the knocks on the doors at night, fathers and sons taken away and never returned. Fear began. Promises were drowned in blood. Freedom was drowned in fear. This fear lasted 45 years. Where there is absolute power, there is also absolute lawlessness. For 45 years the law was merely a screen for absolute power and lawlessness. For 45 years the Bulgarian people were deprived of the freedom to think and act. This was slavery that lasted 45 years.

Then came change and democracy. Once again there was euphoria. We expected everything from the revolution. Now we began to expect everything from democracy. My friends, democracy is not a solution! Democracy offers the possibility of a solution.

Such a solution could be good, but it could also be bad. It could even be scandalous. Our democracy is being born in a particular atmosphere, in the presence of a powerful organization that is blocking it with its intrigues, lies, and deceptions. To be strong, democracy needs truth. Yet the organization of truth remains weak.

Furthermore, democracy is the political surface of economic freedom. With economic dependence, the political freedom of the citizens is merely a luxury slogan. What is our economic freedom? Look at it, we have turned into beggars! We put out our hand for charity and

aid, we, the country that was blessed by God. Why? Because from Hong Kong to Toronto, from London to Nairobi, and from Tallinn to Vienna, tens and hundreds of millions of Bulgarian leva, which were stolen and plundered, are circulating. One day they will come back and will enslave us through the party of the *nomenklatura*. That party changed its snake's skin to be able to say that murders were not committed by us; they were committed by others. Now it is shedding even another skin in order to say that those thieves are not ours. But if they are not yours, why is it that for one full year after the change you did not organize even a single trial? A gentleman with a good party past and a good economic present voiced the following formula: "The opposition says that its time has come. Yes, but we have the money. That is why the future is ours, as well." We shall tell this gentleman and his coterie that this shall not pass!

I address myself to the renamed Communist Party. If you would like us to believe you, gentlemen, distance yourselves from those who committed the crimes, who stole, and let us jointly take them to court! It is then that we shall believe you!

Democracy means action in parliament. It means action within the institutions. Democracy also has its nonparliamentary ways and means. We are for parliamentary methods as well as for the legitimate—I repeat legitimate—nonparliamentary methods. In this connection, I would like to share with you a heartfelt admission. If the unfairness, thefts, and infinite injustice committed against people who are dying of hunger go on, other nonparliamentary forces will increase on the street. This will be followed by violence. This violence will threaten our frail democracy, concealing itself behind talk of the need for strong power. Regardless of whether that strong power is military, presidential, or other, it will not be democratic. Let us protect democracy in all of its aspects, political as well as economic! There can be no democracy without social motivation, without concern for the socially weak.

How do we see the economy? There are in our country some people who bear the idea of primitive capitalism and who preach to us that we must begin by creating individual wealth and that only then will the wealth reach the masses. I do not know whether prejudice or ignorance are competing within such people or whether they are acting together. There are in the world a great many countries with a market economy who are deep in misery. This is not our way. People with standards have a social market economy, gentlemen! We are in favor of this kind of social market economy. That is why you are looking at those three words. There can be no freedom without solidarity. There is no freedom if there are people who are hungry and dying. There is no freedom without justice. This is our flag. We favor the three types of ownership on an equal basis. There must be dynamic and tempestuous private ownership and energy, but it must be built and created, not stolen!

We are in favor of one of its transformations—that of cooperative ownership. I was told by a smart modern economist that the cooperative was something archaic. However, cooperatives exist from America to Sweden and all over the world.

A nation is rich when it has wealthy citizens. In Bulgaria, the possibility exists of creating capital through the redistribution of the existing one. We have fixed assets worth 120 billion. It is on their basis that an opportunity must be provided for the establishment of a huge mass of average and small owners. It is thus that we shall guarantee the support of their political independence, by providing them with economic independence. It is not possible to have 20 millionaires and 10 million beggars. We would like to have 9 million people who live well, like human beings.

A great change is taking place in our country. This change is discussed very little in society. Too many changes are taking place on the basis of personal trust and personal surrender of responsibility. Gentlemen, we lived this way all too long. Anyone with any kind of understanding of the economic change and economic methods should defend them publicly. We support the government, but we demand of it clarity and responsibility for what it is doing.

Another question arises: How and with whom should we go forward?

We favor unity within the SDS [Union of Democratic Forces]. The SDS is the striking force of the Bulgarian opposition. It is a collection of parties whose ways of thinking and whose programs are different but that are united in their aspiration to eliminate the totalitarian regime.

That is why we shall march together, to the end, until this task is completed! Those who do not like our differences should realize that they are our wealth.

A very sensitive question is that of our attitude toward communism and the communists. We are for freedom and against dictatorship. We are against communism as the bearer of dictatorship. We are against the *nomenklatura* and the practice of plundering. However, are we against the ordinary person who was or still remains a communist? What has he in common with the plunder? What does a seamstress working at Vitosha, for example, or a petrochemical worker in Burgas have in common with those plundered billions I mentioned? Some people may object to such views, but I must be honest. Our struggle is against the regime and against ideas and not against people. There was a communist party in France that was the twin of our own Communist Party. It was precisely about that party, which was the best organized force in France, that Mitterrand said: "I shall take 5 million votes away from you." He did. How? By appealing to the working people of that party and telling them that, if they thirsted for social justice, this was not

our fault; if they wanted a humane society, this was not our fault; if they had been betrayed, this too was not our fault.

In the same manner, we, too, shall say: We appeal to you to implement your social dreams and your idea of social justice, democracy, and human relations here, with us, with the SDS and the BSDP [Bulgarian Social Democratic Party] because the dream of social justice will not die. It is both yours and ours. The desire for human relations will not die because it is yours and ours. The question is to find the right way.

I recall a duel between Jaures and Clemenceau. I have always admired it. There had been strikes in Lille, workers had died, and Clemenceau had accused Jaures of inciting the poor to engage in a hopeless struggle. "Why are you misleading the people? Christianity also promised brotherhood and love, but there was the Inquisition!" I recall the splendid answer Jaures gave. "Mr. Prime Minister, on the basis of what categories do you assess the crimes of the Christian Inquisition? Is it not through Christian morality, through the human morality of Jesus? Sir, the Inquisition will pass, but faith in the humanity of Christ will remain."

Working brothers, let us jointly make this a Christian, human, and socially just Bulgaria!

I shall not ignore one of the most painful questions that worries our country—the national one. A country that has been maimed, a country reduced to one-half of its ethnic dimensions has tried, for one century of suffering, to find its own way. Millions of Bulgarians remained outside its borders. Every second person living in Bulgaria is the son or daughter of refugees. I am one of them. The pain of those people is alive. In our internationalism and humaneness, we completely accept both the principles of the Socialist International and the documents of Helsinki and other international agreements of which we are a part. Unquestionably, we also demand that the rights of all citizens, including Bulgarians, must be respected, wherever they may be. Bulgarians must be able to speak their native tongue and have their native culture, regardless of country or party. That is because our party has always been in favor of internationalism but has never been in favor of national nihilism. And, whenever necessary, the social democrat has died on the battlefield because there can be no social democratic Bulgaria without a Bulgaria.

Because we share this principle, we cannot deny the ethnic rights of the people in this country who are not ethnic Bulgarians. They have the same rights that we do and, above all, the right to their native language because the fact that there are other ethnic groups in Bulgaria is not a weakness but the enrichment of different cultures.

Today everyone has started marching toward Europe. However, Bulgaria demands two things of us: a European political standard and a certain economic stability. The stability we shall create through the efforts of the entire nation. As for the political standard, this means

that we must adopt all the values that are so precious to Europeans. And I dare say that, if there is a party that is totally imbued with such values, it is the Social Democratic Party. We are already in Europe spiritually, and we must lead our friends and the entire country toward it, toward its culture of human relations and its well-being.

In hard times, such as the present, the Bulgarians must know that there is no obstacle that cannot be overcome.

Let me tell you a story that I would like to repeat because I think it would make a good ending to this occasion. Some young people went on a hike. The boys were preening themselves in front of the girls. However, fate presented them with a test: Down in a ravine, a beautiful flower, an edelweiss, was growing. The girls wanted it. The boys looked. It was way down. They came upon a little shepherd boy and suggested to him that they lower him down the cliff with a rope to pick the flower. The little shepherd answered: I could do that, but my mother should be holding the rope.

Bulgaria will also conquer the chasm and will pluck the edelweiss, if the SDS and the BSP are holding the rope!

Comments by Dertliev on SDS Election Platform

AU1105162991 Sofia SVOBODEN NAROD
in Bulgarian 4 May 91 pp 1, 3

[Interview with Petur Dertliev, chairman of the Bulgarian Social Democratic Party, by an unnamed SVOBODEN NAROD reporter; place and date not given]

[Excerpts] [SVOBODEN NAROD] Dr. Dertliev, judging from our readers' reactions, a certain confusion prevails among supporters of the opposition, who are afraid that the ideological disputes within the Union of Democratic Forces [SDS] may weaken the opposition and prevent it from appearing at the elections as a united force.

[Dertliev] I do not understand why people should be concerned about ideological formations that have existed from the very beginning of the SDS as a political coalition. Before the announcement of the establishment of the SDS-Center, the creation of a right-wing formation was declared. Under such circumstances, it was quite natural that our own identity had to be established. What is the most characteristic trait of the SDS-Center? It is primarily a striving for a more moderate tone. Second, while firmly adhering to our SDS membership, we are seeking to expand the spectrum of its supporters within the electorate by including people who voted for the Bulgarian Socialist Party [BSP] in the past, without being fully aware of their preferences, just because they were repelled by certain SDS actions.

[SVOBODEN NAROD] Motivated by their concern about the disagreements within the SDS, some sincere supporters of the opposition accuse you and even do not hesitate to use the term "collaboration." What is your reaction to this?

[Dertliev] It is not the first time that some of my statements have disturbed my friends and supporters. For better or for worse, I was always right in the end. What is collaboration, after all? Who is helping the Communists? It is not necessary to be their convinced supporter in order to serve them. On the contrary, you may be their staunch opponent, but, by your behavior, actions, and statements, you may repel people and thus render a service to the Communists. It is an indirect and unwilling service, but it is still a service. Therefore, I consider all those who diminish the SDS electorate and, hence, miss the opportunity to weaken the strength of the Communist Party to be collaborators. This is where the strength of the SDS-Center emerges. It is not only far from being a collaborator but has assumed the historical task of involving all honest and democratic people in the efforts of eliminating the totalitarian regime. Attracting new supporters and diminishing the enemy's strength by partially depriving it of its supporters—would you call that collaboration? [passage omitted]

[SVOBODEN NAROD] Can you describe the arguments of your colleagues in favor of holding elections in June 1991?

[Dertliev] The reason is that the opposition currently enjoys a high rating in public opinion polls, while, in the autumn, a considerable unemployment rate may exert a negative effect on the SDS rating. Hence, the crucial question: Why should an opposition force be afraid of certain phenomena affecting the government? Let us look back into the past for a while and recall the circumstances around the establishment of the government. We, the people who belong to the present center, and also Mr. Savov categorically opposed SDS representatives joining the Cabinet in the manner in which this step was accomplished. We were against the impression now held by many people that we have an SDS government. I feel obliged to make an accusation against all the SDS propaganda for not making it sufficiently clear that the present economic policy and its painful implications affecting the people are the results of the negative inheritance from the past regime and also, to a certain extent, the results of a common view on economic reforms shared by the BSP and some SDS experts. It is an undeniable fact that the neoliberal policy of the government's economic team is nothing but a continuation of the measures envisaged and initiated by Mr. Lukanov. [passage omitted]

[SVOBODEN NAROD] This might be an appropriate opportunity to resume the topical issue of the forthcoming elections and the crucial dilemma facing the opposition on whether to walk out of parliament or to stay in it, a dilemma on which the Bulgarian Social Democratic Party expressed its independent opinion.

[Dertliev] A paradoxical situation emerged in this respect. Many of those who had the greatest ambitions to participate in the government and, subsequently, supported its neoliberal ideas in the most categorical manner declared themselves in favor of walking out of

parliament. What chance do they give the government by doing so? On the other hand, our differences with the government are very serious, but, despite this fact, we remain in parliament, thus supporting the government in a most resolute manner. One could imagine what it means to interrupt the reform for half a year while a new National Assembly convenes and assumes its functions. [passage omitted]

[SVOBODEN NAROD] Nevertheless, the elections are coming sooner or later. On what system should the elections be based so as to produce the most objective results?

[Dertliev] We are in favor of a preference list, which means an opportunity for the supporters of a greater coalition—let us say the SDS—to express their preference for given candidates and formations that are part of the coalition. The hitherto existing system offered a more restricted choice. If one did not accept a certain personality or a given SDS formation, he simply voted against the SDS, even though he approved of other candidates and formations in the same coalition. This is the problem I mentioned at the beginning.

[SVOBODEN NAROD] Does this mean that you propose two election tickets for the SDS?

[Dertliev] That might be a possibility. It is a question related to the Election Law. It would not be a misfortune if the SDS had two tickets. Imagine that there could be some people who thoroughly dislike my behavior or are even repelled by my face. At the same time, they share the ideas of the opposition. That is normal. Let them vote for whom they like, whose statements and ideas they find attractive. [passage omitted]

BNDP Elects New Chief Party Organizer

91BA0471B Sofia ZORA in Bulgarian 12 Mar 91 p 3

[Unattributed article: "New BNDP [Bulgarian National Democratic Party] Chief Party Organizer"]

[Text] Mr. Boryan Angelov's request to be relieved of his chief party organizer position was reviewed at a meeting of the BNDP [Bulgarian National Democratic Party] Administrative Council [AC] on 28 February. His request was granted by the AC.

At the same meeting, the AC elected Mr. Ventseslav Nachev as BNDP chief party organizer.

Ventseslav Nachev was born on 12 March 1939 in Gabrovo. He graduated from the Saint Kliment Ohridski Sofia University with a degree in philology. He is a well-known writer, the author of more than 10 books and a number of historical papers, among which are the novel *Mitarstva* [Ordeals] and the collection *We Wrote So It May Be Known*, a translation from Old Bulgarian, with annotations and commentary.

He is one of the founders of the Bulgarian National Democratic Union, whose successor and continuation is

the BNDP. Mr. Nachev has contributed substantially to the recognition of the national democratic idea. He is married and has a son.

Background, Future of Fatherland Union

91BA0452A Sofia OTECHESTVEN VESTNIK in Bulgarian 8 Mar 91 pp 1-2

[Unattributed article: "The Fatherland Union Will Not Allow Itself To Become Hostage to Conservative Thinking and Action"]

[Text] The passage of time brings closer the month during which, one year ago, the Fatherland Union held its extraordinary congress.

At that congress, the organization proclaimed its autonomy and independence. It rejected the right of any party whatsoever to lead it. It stated that it will exclusively serve the national interests. This was a decisive break not only with the deformations of the past of the Fatherland Front but also with the deformations of the very idea, depersonalized under the weight of the one-party monopoly on power.

The insistence and the will of the delegates attending the congress was that of a revival within the organization of its truly vital ideas and its unification principle, its all-Bulgarian nature. They expressed this will in the political decision of building a new Fatherland Union, which would be needed by and useful to the changing society, and whose unifying role would be double: first, the aspiration to unite a great variety of social forces for the sake of resolving the common national problems, and second, the aspiration to rally the people themselves wherever they live, regardless of their political views, and to combine efforts in meeting their specific needs and interests and to work jointly for the common good.

It is with such ideas and with their content and profound nature that the Fatherland Union wishes today to remain within society but outside the political extremes. It must remain outside those extremes, regardless of who supports them. It tries to be not part of the confrontation but part of manifestations and actions that, under the conditions of a developed political pluralism, express the common aspirations of the people to achieve their democratic society. Democracy cannot be conceived only as a multiparty system; it also includes nonparty forms of exercise of citizens' political rights.

All parties, even the most confrontational, are made up of citizens, who share ordinary, daily problems. These are problems not of a party but of human nature. Increasingly, society begins to realize that they must be resolved jointly, through consensus and agreement, in a state of unity among environments and people of different views rallied around the public reason. The ideas of the Fatherland Union fully consist of rallying the citizens outside from their own party predilections and not for the sake of the latter.

Such was the direction earmarked by the extraordinary congress. However, it demands of us to clearly say to ourselves and to anyone else that the "OF" [Fatherland Front] initiatives mark the end of the past. The organization must walk the length of its change honestly and to the end.

It is true that in some areas we find in the actions of the Fatherland Union still in confusion and struggling to surmount the old, and less a real presence on the crest of social development. Some leaders are slow to part with the old concepts, and this is the reason for which the political growth of the organization has fallen behind the political growth of its own congress.

It is a known fact that the leadership of the Fatherland Union dedicated many difficult yet sincere and honest efforts to turn the organization into a possible political environment for cooperation by different political forces, groups, and individuals for the sake of the national interests. Despite the sharp party confrontation, which was inevitably accompanied by a strong polarization of public awareness, bilateral and multilateral meetings with dozens of parties, organizations, and movements were held, at which a common language was found and real possibilities for joint work and cooperation on a number of problems appeared. The National Council has so far established through its Coordination Bureau contacts and reached understandings with 53 parties, organizations, unions, movements, and other associations. This made it possible for 49 political and social forces to sign the familiar Appeal for Democracy Through National Consensus; there were 41 signatures under the Appeal in Defense of the Constitutional Democratic Order. Again, at the initiative and through the efforts of Fatherland Union leaders, at the time of the sharpest confrontation caused by the crisis in the government, the first dialogue that opened the way to a political agreement took place.

Such actions took place and continue to take place under circumstances of insufficient political trust in the organization. The suspicion seems to exist that the Fatherland Union is still not what it would like to be. The marks of doubt will remain until the people become convinced of the opposite through specific proof, not only on the national but also on the municipal level. We read in the press the urging of Veselina Gorinova of Sofia: "The voice of the Fatherland Union must be stronger in the municipalities. Why is it that thousands of its activists are unable to play the political role that the chairman of the organization plays in our national life? It seems as though many matters are a question of personal quality, of rejecting the class-party burden." Equally categorical is the view of Georgi Zdravkov of Plovdiv: "I have the feeling that many workers have not rejected the concept that the Fatherland Union is not an independent organization free of party biases." Adds Khristina Zhelezkova of Sofia: "There was in Plovdiv a leader of the organization who became the soul of political life in the city, respected by representatives of all the main political

forces; through her, the Fatherland Union enjoyed prestige in the second-largest Bulgarian city. However, she was not elected to even the National Council. It is clear that the entrenched *nomenklatura* opposed it."

These voices, coming from various parts of the country, are not isolated. They provide new arguments in support of the conclusion made at the final session of the Coordination Bureau of the National Council: the fact that the unifying philosophy of the Fatherland Union has still not been adopted as the idea and the practice of the entire organization. Some of its members are subject to conservative moods. They are unable, and some of them unwilling, to change. They feel and understand that they are out of step with the times, outside the expectations of the people and outside the development of the organization, for which reason they are trying to unite and rally around the old ideas.

It is a question, above all, of ill-concealed steps aimed at the rescue of individual cadres within the apparatus, cadres that are unable to work for the new ideas but that would like to make use of the organization for the sake of holding a job, for official convenience, or as a preserved position until their retirement.

It is in this that we should see also one of the reasons for which the Fatherland Union missed the opportunity to prove categorically its independence and autonomy by participating in the consultations on the composition of the provisional executive authorities of municipalities and mayoralities. What the Union wanted by this action was not to include its own representatives in those bodies by secretly increasing the quotas of some political forces but to support the candidacies of authoritative and competent citizens who had not been compromised during the totalitarian regime—above all, the candidacies of nonparty people. In the case of the Fatherland Union, participation in the consultations should also have been participation in the dismantling of totalitarian structures in the localities and, at the same time, breaking all visible and invisible ties linking organs, organizations, and persons of the former Fatherland Front to such structures. It is true that this was precisely what happened in a number of places. In some municipalities, however, this position was not defended. This proved, once again, that it was difficult and even impossible for some of the members of the organization to shape and defend the independent and autonomous position of the Fatherland Union because of an excessive past attachment to their own party.

The Coordination Bureau and the overwhelming majority of the plenary membership of the National Council of the Fatherland Union neither wish nor will allow themselves to become hostages to conservative moods, voices, and actions within the organization. That would mean becoming the liquidators of its new ideas. They were elected to implement such ideas, and they bear political responsibility for this.

It was with the feeling of that same responsibility and understanding that the last plenum of the National Council suggested to the Coordination Bureau and the municipal coordination councils that they get rid of their full-time associates who are working in the Fatherland Union but who display party prejudices and are motivated by narrow party views.

The Fatherland Union today needs workers of a different type—people who, with conviction, openly and with dedication fill the political vacuum within Bulgaria with unifying ideas that are significant for the development of democracy and are based on the need for human solidarity under the conditions of a difficult economic and spiritual scarcity.

We must now use not every single day but every single hour of political time in the country to undertake democratic reforms that will unite and not divide our people.

The Fatherland Union supported the agreement among political forces represented in the Grand National Assembly in guaranteeing the peaceful transition to a democratic society. It will also support the actions of the government, related to the reform, but always emphatically exigent, proceeding from the vital needs of the population. The people know that it will be difficult. However, they should also know the limits of the difficulty. The Fatherland Union insists that the line beyond which begins the helplessness of the individual family and the individual person should not be crossed. The Coordination Bureau of the National Council has already voiced its decision to scientifically determine the increase in the cost of living and the necessary survival minimum by region, type of settlement, and age group, and has concretized its demands to the government to help socially weak citizens. However, the Fatherland Union will be useful and needed only when each one of its organizations has found its way to the people in these difficult times, and when its specific concern can be felt for the poor, the sick, and the unemployed. It is precisely through them that the forms of human solidarity and mutual aid will be strengthened and come to life and the possibilities of the "Humanity" fund of the Fatherland Union will be enriched. In turn, the local organizations have the biggest opportunities to rally and express the people's opinion concerning the distribution of humanitarian aid among the population.

The political times and the interests of the people in the localities also demand a strict exigency concerning the activities of the temporary executive committees of the people's councils. However temporary they may consider themselves, they are doing work that is not reduced merely to preparations for the elections. They must be accountable to the population and report to it on their activities. The reaction of the municipal Fatherland Union leaderships to cases of temporary managements working on the instruction of political parties and not in accordance with the requirements of the Law on People's Councils and the general needs of the people should be particularly strong because this type of interference

replaces the one-party with a three-party monopoly of power and is a violation of democratic rule.

Standing above the parties and displaying human solidarity is the political and organizational face of the Fatherland Union today. Obviously, there are many ways leading to national survival in these difficult times. However, let us see to it for one of them to go more through the organizations of the Fatherland Union in the various residential districts and settlements, where ways are being opened that lead to understanding among the various parties, and where the social will for more human goodness and mutual aid is born.

CZECHOSLOVAKIA

Draft of New Social Policy Prepared

91CH0508A Prague LIDOVE NOVINY in Czech
4 Apr 91 p 9

[Interview with Dr. Oto Sedlacek, first deputy minister of labor and social welfare of the Czech Republic, by Drahuse Probstova; place and date not given: "A Stretched-Out Hand Will Remain Empty"]

[Text] [Probstova] The economic reform also requires a new concept of social policy. In your ministry a team of experts has been working since February on a long-term concept for this entire sensitive area. Could you characterize its principles?

[Sedlacek] The goal of the new concept is to bring our social policy closer to that of advanced European countries. One of the main features of the concept we are considering is a change-over from care mainly provided by the state to decentralized models, which must be based on active contribution by citizens and on the role of charitable and other nongovernmental organizations as well as private individuals. We want to be guided by the principle common in Western countries: Help for self-help. I would put it more as: Help yourself and you will also help others.

[Probstova] Can such a system be implemented here?

[Sedlacek] Gradually, yes. In the first place, it means dismantling the state monopoly which exists to this day. We already took the first step when we prepared the amendment of Law No. 114/1988 on changes in the role of the agencies of Czech Republic [CR] state administration and the role of communities in social security. The Czech government approved the draft law on 30 January, and it has been submitted to the Czech National Council for debate. The law will expand the role of communities in providing most of the financial and material benefits of social welfare, community care services, and in making decisions about admission to social services facilities of which communities have become the organizers. Authority for social and legal protection of children and for representing them in approving benefits for children in foster care has been

transferred to okres offices. The law will make it possible to give financial support to nongovernmental organizations (churches, charities, deaconries, etc.) and citizens providing social services. We shall issue the appropriate notice after the law is passed. At the same time we must create legislative, organizational and economic provisions for the new concept.

[Probostova] What obstacles are you encountering?

[Sedlacek] We are greatly impeded by the fact that we do not know the future constitutional arrangement. Social care, in particular, is based on territorial field work. We do not know, or, rather, we only consider in general terms what the tax system will be, what the levies from communities will be, how much of their profit will entrepreneurs turn over to the communities, what amount they may be able to contribute to cultural or social activities, what write-offs from their taxes they will have when, for instance, they employ people who were retrained, etc. Our situation is very complicated by the unresolved issue of competencies between the republics and the federation.

[Probostova] Where, for the time being, will financial means be found for keeping the social system going, and particularly for equalizing the economic impact on socially weak groups?

[Sedlacek] We are preparing a new system for financing in these areas, based on detaching it from the state budget and creating independent funds. We are trying to maintain a certain status quo in the level of social security, to react sensitively and in a timely manner to the increase in the cost of living, particularly in respect to the social strata that are not able to help themselves, so that they would not find themselves under the social safety net. One of the primary concerns is the solution of the question of pensions and social security. The very fact that a Czech Social Security Administration has been established and okres social security administrations have begun to function created the first organizational conditions for a transition to fund-based management, for creating a fund independent of the state. We presume that such a fund as a legal entity under public law could come into existence beginning 1 January 1992, that the entire area of pensions and health insurance would be independent of the state, that it would manage its own resources, that it could even invest them or lend them and thus obtain finances for, for example, the valorization of pensions.

[Probostova] That of course is linked to the entire system of taxation and wages.

[Sedlacek] The wage system must be changed to the extent that the tax will be really based only on wages, so that every working person will know that they are paying out of it, let us say, 20 percent for the pension, 5 percent for hospital insurance, x percent for health insurance, etc. When they retire, they will know that they earned such and such an amount of money, that they paid such and such an amount for the pension, and therefore that

is what they will get. But the pension rate has to be level and not favor some groups of citizens because of the character of their work. That must be taken care of by the wages. The higher the wage, the more I shall pay in for the pension, and then I can have a pension that may be higher than anyone else's.

I am not speaking about the area of social security, that is guaranteed in the state budget. But we must react to the increase in the cost of living which is taking place at this time. So that the benefits, whether obligatory or facultative, which needy people are now getting correspond to the economic impact on them. Here truly the most pressing problem is financial resources. Not that the state would be unwilling to provide them, it really does not have them. Nevertheless, we are proposing to increase some benefits and other forms of support. Already hospital benefits have been increased, as well as maternity grants, etc. For example, the contribution to health-impaired and paralyzed people for the purchase of wheelchairs used to be 20,000 korunas [Kcs]. In the amendment of Law No. 114 we propose to increase this sum to Kcs60,000.

[Probostova] Another question is social welfare, where some benefits are voluntary....

[Sedlacek] Unfortunately, we did not succeed in having the lump-sum amounts, which the okres offices received from the state budget and the use of which they determine themselves, differentiated for individual purposes—social, health, educational. I am not the only one who is a little concerned whether the portion earmarked for social welfare by the office is being used for other, no matter how worthwhile, purposes.

People have no idea how dehumanized the entire social sphere is, truly a failure, how greatly our social sensitivity has diminished. It is sad that we lost the habit—or that we never acquired it—of taking responsibility for our own life, which in the West is a matter of course. More likely, we stand waiting with an extended hand for what the state will give us.

Further Polarization in VPN Wings Viewed

AU0905090991 Bratislava PRAVDA in Slovak
4 May 91 p 3

[Commentary by Frantisek Melis: "The Polarization Will Continue"]

[Text] Following the Public Against Violence [VPN] movement's official separation in Kosice, the issue of both platforms' future political profile keeps coming to the surface. So far, the situation in the original faction, which devoutly proclaims its faith in the principles of the A Chance for Slovakia election program, is more consistent. This one-time VPN cement is, as a whole, already somewhat watered down and it will certainly no longer suffice to thicken it.

Internal relations within both groups will develop on the basis of this diffusion, although VPN Coordinating Center Chairman Juraj Flamik discounted such a possibility in "their" platform at a press briefing on Monday. However, it is impossible to so unequivocally forecast development in such ideological conglomerates as these two factions. The first indication of polarization in the so-called Gal group—or at least the sharp deviation of one part of it from the liberal center to the right—may be the speech made by former Slovak Deputy Prime Minister Jozef Kucerak at the extraordinary assembly in Kosice where he forcefully mentioned founding a decidedly right-wing party inspired by the example of his economic forerunner Vaclav Klaus. This disunity may also be influenced by the fact that VPN Slovak Council Chairman Fedor Gal, who more or less held the current original members in his group together, is leaving Venturska Street for further education in England.

It will certainly be more interesting to monitor development among the Meciarites. Although it seems they are more united than the Galites, this is a false illusion. The composition of his current supporters is even more colorful than those who support Venturska Street. At the moment, the strongest unifying element is undoubtedly Vladimir Meciar. However, the question is how long can he hold on to this image and what will he do to retain it.

May and June might reveal something. These are the months when the For a Democratic Slovakia [ZDS] platform's program will be prepared. It is already clear that this program will be a modification of the A Chance for Slovakia program, but, obviously, one whose contents will not discourage those supporters who are even more true to the original VPN principles than the Galites. However, it should also express the ideas put forward by the Obroda [Revival] Club members whose Communist past is clear. It is impossible to deny them their left-wing thinking. Finally, it should be suitable to the relatively strong Trnava Group which makes absolutely no bones about its clear-cut anti-Communist stances. It will not be easy to find a common unifying ideological platform for such a broad ideological spectrum. The ZDS platform's constituent assembly in Banska Bystrica will reveal whether this is possible.

The polarization within both VPN groups will continue. Political parties will be established from these and other offshoots. This way, a situation will be created on the Slovak political scene characterizing Western democracies in which organizationally and ideologically united parties and the voters supporting them decide on development.

Pithart on Agriculture Problems, Slovakia Issues

*AU0805081391 Prague MLADA FRONTA DNES
in Czech 2 May 91 pp 1-2*

[Interview with Czech Prime Minister Petr Pithart by Karel Hvizdala; place and date not given: "The Tracks Have Not Yet Separated"]

[Text] [Hvizdala] On 23 April the daily VENKOV published a report on a speech delivered by Agriculture Minister Dr. Bohumil Kubat in which, among other things, he said: "What we tried to do with this federal land law and what, in the end, we succeeded in doing clearly confirms my arguments. The law still has not been adopted and further discussions and further clarifications are taking place." What is your opinion of this? Do you know this speech?

[Pithart] Of course I know it. I was compelled to send the minister a letter in which I wrote: "Because the federal land law was also put forward by the Czech Government, which you as one of its ministers supported, an apparent inconsistency in your views, which you are obliged to explain not only to me, but also to the entire government, has arisen here."

[Hvizdala] I should quote one more sentence from the above-mentioned article in which the minister refers to the president's support. "I assure you that if I did not have his support, then I would not be sitting here among you today. This is absolutely 100 percent guaranteed." What do you think of this quote?

[Pithart] I was very surprised by this. Therefore, in the second part of the letter I asked him whether the president's constitutional situation regarding the Czech Government and the Czech National Council is clear to him and whether support for him is constitutionally relevant.

[Hvizdala] Since we are discussing Minister Kubat, I would like to ask about one more thing we have found out. Apparently the minister is forcing agriculturists to buy his ZEMEDELSE NOVINY. Do you know anything about this?

[Pithart] I do not know if he is literally forcing them to buy his newspaper, I will have to check on this. However, it is true that a few days ago my bundle of newspapers was recognizably thicker because I had received 50 copies of ZEMEDELSE NOVINY sent to me by the chairman of one cooperative along with a letter informing me that he had been given this bundle of newspapers and that, at the same time, the necessity of buying them had been pointed out to him. Obviously, he protested against this and was told: "He who pays the piper calls the tune." The chairman pointed out that he last experienced a similar course of action a few years ago when people in his cooperative were forced to buy RUDE PRAVO or other party newspapers. I do not think I have to comment on this.

[Hvizdala] I would like to mention yet another problem that is hanging in the air—early elections.

[Pithart] Early elections is the slogan of those who feel that their strength lies more in words than in deeds. If early elections were indeed called, then there would be no time for deeds. Mere promises and more promises would apply. Naturally, the newspapers would publish tables every day depicting the popularity of different parties and personalities and everyone would have to

strive to ensure that his popularity increased. There would be little chance of continuing with reform in such a situation. Reform does not win anyone any votes or popularity. Reform is something that hurts and that will eventually bear fruit. Those who would slow down reform and transform it into some kind of perestroika or socialism with a human face would triumph in the elections. Therefore, it is not by accident that the electoral periods in functioning democracies are from 4.5 to six years. Each governing system has to have time to take unpopular measures that it considers to be essential and sensible.

[Hvizdala] However, the situation in Slovakia indicates that early elections could be called there. What do you think about this?

[Pithart] Yes, this situation could arise. If Slovakia was to be paralyzed by a wave of extensive long-term strikes, I am afraid that the Slovak National Council's nerve would not hold. The idea that it would be possible to limit such a situation to Slovakia alone seems to me to be, unfortunately, too optimistic. The task facing all responsible people is not to give in to appealing slogans. Otherwise, reform could be postponed for years rather than for months.

[Hvizdala] Do you not think that the situation in the Czech Lands and in Slovakia is so different that the two economies will, in the end, force the Czech Lands to separate themselves from Slovakia?

[Pithart] I am not sure if it is possible to talk about two economies. There are certainly such attempts here, but I think that, to date, the tracks have not yet begun to separate. My Slovak colleagues have assured me that a higher level of unemployment, which could indeed be a symptom of a different mood concerning reform in Slovakia, is not prevalent in those district where the infamous armaments industry is. The level there is even lower. The highest level of unemployment is, for example, in the Rimavska Sobota and Nitra Districts where, among other things, a large number of Romanies live. If this is the case, then it is still not too late. I agreed with Mr. Carnogursky on Saturday that the governments' Presidium and economic ministers will meet and that we will look at the figures and see just what the differences between our economies are, how we will deal with the budget, where the unemployment is and why, and what the pace of privatization is.

[Hvizdala] When will this meeting take place?

[Pithart] I suggested to Mr. Carnogursky the end of next week or the beginning of the week after. This meeting should involve extremely matter-of-fact discussions and we will avoid issues connected with the constitutional and legal arrangement.

HUNGARY

Powerful Constitutional Court Seen Emerging

91CH0568B Budapest HETI VILAGGAZDASAG
in Hungarian 27 Apr 91 pp 5-7

[Article by Endre Babus: "Constitutional Court Versus National Assembly: Messages From the Tower"]

[Text] The months-old jurisdictional dispute between the parliament and the Constitutional Court openly clashed last week. By the vote of a large majority, the legislature rejected the court's idea of suspending debate over the compensation law until the court announced its opinion. This decision of the parliament did not fail to create an impact. The Constitutional Court retreated, moreover, in a Solomonic decision announced last Thursday, it said that the court did not actually intend to provide "quasi" advisory services to the National Assembly in the course of its legislative activities. But the struggle between these peak constitutional centers of power has hardly come to an end.

"Two state secretaries representing the previous government, both of whom called attention to themselves throughout the court session with constant chitchat and giggling, flagrantly manifested their dislike of the court's memorable mortgage interest tax decision. They walked out of the room while the court announced its decision and this created quite a scandal." This is what Geza Kilenyi reported in the January 1991 issue of *MAGYAR KOZIGAZGATAS* about the Constitutional Court's first, publicly celebrated "decision day." Since then, the prestige of this body has gained significant strength. Nevertheless, in an unchanged manner, decisions rendered by the court remain controversial. In recent months, we gradually learned that the velvet-cloaked jurists comprised one of Europe's most powerful constitutional courts. The supreme prosecutor, and even Pal Solt, a former Constitutional Court justice promoted last fall to president of the Supreme Court, recently said that the Constitutional Court might become the preponderant element within the political system; it could evolve into an organization which functioned without appropriate controls.

It is without a doubt that in the course of its brief history the Constitutional Court has already registered indelible merits in restoring the ruffled honor of law. The court made it apparent that the sanctity of property, equality under law, and individual dignity and autonomy constitute fundamental theses in a constitutional state which may be sacrificed only to the extent that is absolutely necessary even at the altar of so-called societal interests.

Nevertheless, virtually from the first moment on, an obvious power struggle has evolved between the Constitutional Court, determined to enforce constitutional standards on the one hand, and the parliamentary majority on the other. The court's election law decision of last February most likely served as the declaration of war. In it the court declared unconstitutional a provision which barred Hungarian citizens abroad from taking part in the elections. Instead of placing ballot boxes in every Hungarian embassy, the outgoing, old House of Representatives chose to amend

the Constitution to the effect that since that time (formally, but by then in a manner consistent with law), the basic law itself deprived persons outside of the Hungarian borders of their right to vote. Openly characterized as "cynical" by the Constitutional Court, this decision of the parliament could have been slated to play a certain demonstrative role to signal that in the final analysis, the parliament was in charge of the Constitution.

One may assume that this incident was still vividly remembered by the justices when just a few months later they reviewed the constitutionality of the death penalty. While in this regard the Constitutional Court found both a prohibitive and a permissive passage in the Constitution, in the end it regarded the prohibitive provision as "more constitutional" (rather arbitrarily, according to several experts). Without further delay the court went on to eliminate the strongest criminal sanction from the Hungarian legal system without giving the parliament even the slightest chance to choose between the competing paragraphs. The court, with offices on Vaci Road, thus took revenge. Clearly, the Constitutional Court regarded the interpretation of the basic law, moreover, the creative development of the the basic law as matters within its field of competence.

"The parliament may maintain, abolish, or restore the death penalty until such time that the Constitutional Court has uttered the final word on the constitutionality of this punishment," according to Constitutional Court Chairman Professor Laszlo Solyom. This statement is likely to hold additional surprises for whoever has doubts about who is holding the power to frame the constitution in Hungary. It also contained a declaration which held that through its decisions, the Constitutional Court actually intended to frame an "invisible constitution" which was above the present Constitution, one that would serve as an accurate yard stick for the codification of the new Constitution, moreover, one that would not conflict with future Hungarian Constitutions either. With this statement the Constitutional Court in essence openly asserted authority to frame the Constitution, rather than performing its legally established role of protecting and interpreting the Constitution.

Since then, skirmishes between the two centers of power have spread to other combat theaters. Now the legislature is reluctant to implement decisions which the Constitutional Court is fully justified to expect under the prevailing Constitution. The court went so far as to grant a delay in implementing its decision: The introduction of administrative adjudication has been obstructed to this date by a peculiar combination of parliamentary and cabinet forces, even though the deadline for implementation has passed as of 1 April (HETI VILAGGÁZDASÁG [HVG] 30 March 1991). Thereafter, the Constitutional Court unexpectedly declared, and "prohibited" as of 31 December 1991 the use of personal identification numbers, the complex identifying code. This may be interpreted as a step to counter the delay in administrative adjudication. With this action the Court also torpedoed the privacy law presently in the drafting stage, and inflicted a wound at another sensitive spot of

the state bureaucracy which wanted to know everything about its citizens. (HVG 20 April 1991).

Undoubtedly, with its decisions thus far, the Constitutional Court has forcefully protected civil liberties characteristic of modern constitutional states, even though on occasion it did so on the basis of Dodonian arguments. Paradoxically, however, sooner or later even the decisions which follow Western patterns may undermine the prestige of the court. A situation in which ten Constitutional Court justices seated in an ivory tower on Vaci Road make individual decisions without substantial societal support may easily backfire. This is true even if these decisions are based on the purest moral convictions, and reflect the most up-to-date scientific view. It is questionable whether in the aftermath of a future, particularly grave serial killing the public and its representatives in the parliament continue to tolerate the Constitutional Court decision which abolished the death penalty "for good." The Hungarian Constitutional Court, which represents the refined legal system of values of democratic constitutional states, would be well advised to consider the fact that unlike in a number of Western states, the abolition of the death penalty in Hungary has not been preceded by a true abolitionist movement. And as far as the "banning" of the personal identification number is concerned, even within intellectual circles people often regard this as some exercise in "excess scientific sensitivity." It appears that the above mentioned Constitutional Court decisions do not provide to significant groups of society a sense of having achieved a situation in which justice has prevailed, except to a few theoreticians. Without this experience, however, the "dogmas" of the new constitutional state may hardly turn into inner convictions, and this fact may render the future of the decisions at issue uncertain.

In addition to ambitions to frame the Constitution, another lure has also tempted the Constitutional Court in recent months: the lure of becoming integrated with the governmental decisionmaking mechanism. In certain instances the law clearly obligates the Constitutional Court to review legislative proposals. This is called the preliminary control of legal standards. Until last Thursday it appeared that the Constitutional Court had no reservations about playing this role, so much so that in a memorandum the court advised the parliament not to call for a vote on the compensation law until such time that the court rendered a decision. Only in the course of events, probably as a result of the parliament's rejection of the court's request, did the Constitutional Court realize that its request not only violated the sovereignty of the parliament, but also unavoidably pushed the Constitutional Court toward assuming legislative responsibility. Having assessed all of this in a diplomatic fashion, the court rejected the task assigned to it by law, claiming that unless it rejected this task, the Constitutional Court would actually govern in Hungary.

The manner in which the Alliance of Free Democrats' proposal concerning the proposed compensation law was handled made it apparent that the Constitutional Court itself was

seeking its own place within the constitutional structure. Finding this place is an unquestionably timely task. After all, the Constitutional Court is the oldest institution of the third Hungarian Republic. It is almost a year and a half old.

A Few Constitutional Court Cases

Initiators	Topic of Submission (Decision, Rule of Law, Date)
Closed Cases	
Istvan Bruzak, Budapest	Abolition of "discriminatory" tax benefits to which families with at least three children are entitled. (Rejected; the court recognized the appropriateness of positive discrimination. 25 April 1990)
Ivan Kuklis, Budapest	Review of 1989 government decree maintaining reduced pension for persons convicted for their involvement in the 1956 Revolution. (Declared null and void; the government had until 30 September 1990 to discontinue the illegal situation. 11 July 1990)
Prime Minister Jozsef Antall	Would it be unconstitutional if only some of the former owners received their former real property, while others did not? Was there the possibility of taking away cooperative property without indemnification? (1. The discriminatory action would be unconstitutional. 2. Taking away cooperative property without indemnification would violate the Constitution. 4 October 90)
Supreme Prosecutor Kalman Gyorgyi	Is the exemption from under income taxes of trade union membership dues in violation of the Constitution? (The situation violated the Constitution because other employee organizations were not entitled to such benefits. 8 November 1990)
Peter Feldmayer, Kecs-kemet	Civil cases—constitutionality of out-of-court adjudication of the merits of issues. (The court agreed with the proposal and struck down the provisions objected to. 8 November 1990)
Finance Minister Ferenc Rabar	Request to interpret the Constitution concerning the possibility of the renewed introduction of mortgage interest taxes. (Rejected. It was not the court's function to choose between three taxation alternatives advanced by the Finance Ministry. 18 December 1990)
Pending Cases	
Defense Minister Lajos Fur	Distinction between the authority of the head of state and the defense minister with respect to directing the army.
Democratic Organization of Health Care Workers	Retroactive examination of the constitutionality of rules by which hospital directors are elected. The rules are viewed as discriminatory.
About 200 persons	The rights of former owners of real estate nationalized without indemnification.
Independent Jurists Forum	The unconstitutionality of 1991 increased mortgage interest rates.
Pacem in Utero	Prohibition of abortions.
Independent Police Trade Union	Constitutionality of the election of police chiefs.
n.a. [abbreviation unknown]	Unconstitutionality of different retirement age limits for men and women.
Prime Minister Jozsef Antall	Claims against the government that may be asserted on the basis of environmental law.

Justices of the Constitutional Court

LASZLO SOLYOM (49)—Civil law specialist, chairman of the Constitutional Court. In 1984 he joined the "legitimist" faction of the environmentalists' Danube Movement, the one that respects the law. In 1985 he initiated a test case on behalf of a man who tried to discontinue his procreative capacity through surgical procedure. They lost the case, but the case represented a turning point in Hungarian jurisprudence. It was established for the first time that anything was legal unless expressly prohibited by law. Between April and November 1989 he was a member of the Hungarian Democratic Forum national presidium.

GEZA HERCZEGH (63)—International public law specialist, deputy chairman of the Constitutional Court. In the 1950's he was an associate at the Institute for Law and Political Science, later he taught at the University of Pecs. He researches humanitarian international law, he is an expert regarding the Red Cross. He is also preoccupied with diplomatic history, and is a corresponding member of the academy.

ANTAL ADAM (61)—Constitutional law specialist. Beginning in 1968 he served as the political law "allam-jogi" [unknown term] expert of the Patriotic People's Front. Among jurists agreeing to play a public role in the 1980's, Adam was among those "progressing with due consideration." For three and a half decades he has been researching the situation of nationalities, churches and settlements from the standpoint of constitutional law, and the socialist view of human and citizen rights at the University of Pecs.

GEZA KILENYI (55)—Constitutional law specialist. Beginning in 1981 he directed "nonpublic" research to provide theoretical foundations for the new Constitution. The program office, directed by Kilenyi and funded by the academy, raised the prospects of the possible development of the constitutional court, administrative adjudication, and the state accounting office at the theoretical level, the idea of establishing a "socialist constitutional state." In the end, the democratic opposition raised proposals similar to his modernizing concepts in the Social Contract published in 1987. In 1988 and 1989 he served as deputy minister of justice, and became one of the leading framers of the republican Constitution and of the pivotal laws. He was a Hungarian Socialist Workers Party member between 1964 and 1989.

TAMAS LABADY (47)—Civil law specialist. In his resume submitted to the parliament prior to his election he made separate note of the fact that he pursued his high school studies at the Benedictines of Pannonhalma. He is one of the experts on insurance law, and on "nonmaterial moral damages." He served as a judge for 20 years and held a second job as a teacher at the University of Pecs. He never played a public political role.

PETER SCHMIDT (65)—Constitutional law specialist. As a professor teaching public law at the University of

Budapest he was one of those who created the greatest impact. In the 1970's he envisioned a possibility of "breathing life" into Hungarian parliamentarism by introducing an electoral system based on differences between the interests of various groups in society and between regional interests. The Bibó Specialized College was formed while he served as dean. Many students of that college played a key role in established the Association of Young Democrats. He has been an MSZMP [Hungarian Socialist Workers' Party] member for decades. In recent years he has become known as a researcher of the principles of separation of powers.

ANDRAS SZABO (63)—Criminal law specialist. Criminal law applications to youth, the regional evolution of crime, and the relationship between substance abuse and criminal law are the subjects of his research. In the 1980's he was among the first to turn away from the ideal of reeducation proclaimed by students of socialist criminology, and to return to the classic concept of jurisprudence which regards the punishment of crime as the fundamental function of criminal law.

ODON TERSZTYANSZKY (62)—Civil law specialist. He attended the university at the age of 22 when he and his family were deported from Budapest. For six years he worked as an agricultural, forestry, and foundry worker and later as a trade school teacher. He began his 30-year career as a judge in Esztergom, and finished it as a member of the Supreme Court. He dealt with inheritance law and legal issues pertaining to individuals, and adjudicated cases involving contract law. Industry law is his expertise. He never joined a party or political organization.

IMRE VOROS (47)—Economic law specialist. He is the founder of modern Hungarian competition law, the "father" of the 1984 competition law. He played a role in the development of concepts of the new Hungarian competition law, and in preparing for the establishment of the first Hungarian cartel office in 1991. Relative to the 1990 Springer scandal he declared to the parliamentary committee on the press that by "seducing" seven daily county newspapers Axel Springer Budapest Ltd. transgressed the boundaries of fair business competition and that this fact opened an opportunity for court proceedings. He has not been a member of any party.

JANOS ZLINSZKY (63)—Civil law specialist. In the 1950's and 1960's he served as a legal counselor, thereafter he practiced law at Dunaujvaros for 15 years. Subsequently he was a lecturer on Roman Law at the University of Miskolc. Beginning in August 1989 he was a member of the Christian Democratic People's Party for a few months. In an article published early this year he regarded as unacceptable the situation in which only land was returned pursuant to the 1947 conditions, while residential, recreational, housing, garden, and other property also expropriated unlawfully were regarded as the prey of the state which served to finance the budget deficit.

Security Service Head Denies Taping Politician

91CH0502B Budapest NEPSZABADSAG in Hungarian
26 Mar 91 p 4

[Unattributed article: "Torgyan Was Not Recorded on Video"—first paragraph is NEPSZABADSAG introduction]

[Text] The Hungarian secret services are not watching, listening in, or making videos of Jozsef Torgyan. This seems to be the essence of the statement made by Andras Galszecszy, minister without portfolio, to our paper.

The reason for our question to the minister was that Jozsef Torgyan had accused the government on two occasions of following him and of making audio and video recordings of his meetings. The FKgP [Independent Smallholders' Party] politician claims that these recordings ended up in the prime minister's office.

"Mr. Minister, is your staff responsible for what Representative Torgyan claims?"

"I also read with interest the NEPSZABADSAG's repeated reports that audio and video recordings of Mr. Torgyan's meetings are allegedly being forwarded to the prime minister and that he is being followed. The secret services have their own legal responsibilities which do not include the surveillance of leaders of constitutionally functioning parties or members of the parliament. Moreover, this would be illegal. Consequently, the National Security Office has not made any attempt, not even in Representative Torgyan's case, to follow him or to make audio or video recordings of his appearances. Every statement that is contrary to this is entirely unfounded," said the minister.

POLAND

Bujak's Social-Democratic Movement Party Formed

Worker, Peasant Appeal

91EP0455A Warsaw TRYBUNA in Polish 23 Apr 91 p 1

[Unattributed article: "Bujak Does Not Discriminate"]

[Text] "My feeling is that a party whose absence was felt keenly by broadly conceived worker and peasant constituencies has finally entered upon the Polish political scene," Zbigniew Bujak, since last Saturday the leader of the new social-democratic party, the Democratic-Social Movement [RDS], told TRYBUNA.

The head of the RDS believes that his party is bound to succeed, chiefly because the present economic program is being implemented in opposition to society and there still is not any program allowing for the interests of discrete social groups. Since it perceives no connection between the changes taking place in this country and its

own lot and aspirations, the public is becoming estranged from politics. Yet it is obvious, Bujak claims, that no reform can succeed without social acceptance and proactivism.

Program, Alliances Noted

90EP0455B Warsaw TRYBUNA in Polish 23 Apr 91 p 3

[Article by Ewa Rosolak: Untitled, under the rubric "Bujak Does Not Discriminate"]

[Text] The Democratic-Social Movement [RDS] desires to change the existing situation. Above all, it is ready to offer an alternative to the Balcerowicz Plan. It desires to assure workers, other laboring groups, and peasants of greater participation in major decisionmaking. To breathe new life into privatization, it desires to create a different credit system (based on financial mechanisms known throughout the world) so as to enable individuals to buy stocks and shares. It also desires to provide housing to all who need it ("We have a specific plan and program, all that is necessary is to modify the law on obtaining land for development," Bujak claims.)

In entering upon the political scene in a predominantly (as much as 95 percent) Catholic country the RDS also presents itself as a prochoice party, opposed to antiabortion legislation. Why?

"Because such legislation harbors potential dangers," Bujak declared. "And we don't want to be hypocrites. We perceive the perils implied in the doctrinal demands of the church and individual priests for the long arm of secular justice to settle the abortion issue."

The closest allies of the RDS at present are Jan Jozef Lipski's Polish Socialist Party and Bugaj's Labor Solidarity.

Bujak claims, "This alliance should also include the trade unions, but for the present they are torn by various opposing political interests."

Bujak therefore is putting off cooperation with trade unions until these cease to compete against and combat each other at plants and factories and begin to work together in defense of employee rights.

The RDS leader believes that the extremely prosocial and clear-cut program of his party will also prove attractive to the people who had voted for Cimoszewicz and Tyminski.

In defining his party as a social-democratic one, Bujak at the same time shuns an alliance with the SdRP [Social Democracy of the Polish Republic] and the PUS [Polish Social-Democratic Union].

"They emphasize words, not deeds, lip service over proactivism," he claims. "The representatives of these parties sit in the parliament, yet they do not object to legislation directed against worker interests. For

example, they voted for privatization without at the same time amending the laws on trade unions and the labor law code.

"They voted for the law on securities, which contains the requirement that employees must pay a minimum of 500 million zlotys to buy stock in their workplaces, even though the average employee obviously cannot afford it. Social democrats have no right to ignore such things. That is why I mistrust them.

"The RDS is an open party. It also is open to rank-and-file members of the former PZPR [Polish United Workers Party]. At the same time, we treat former PZPR secretaries at various levels with great caution, because they are directly responsible for the then situation. But as for the bulk of the rank-and-file party members, we realize that they were compelled to join the PZPR by the then socioeconomic situation. We would not want to discriminate against them just because they were PZPR members. Their knowledge and skills are irreplaceable. I myself will offer these people a proposal for cooperation."

Officials Comment on Security Goals

91EP0457A Warsaw TYGODNIK SOLIDARNOSC in Polish No 16, 19 Apr 91 pp 12-13

[Interview with Jacek Szymanderski, Sejm deputy and deputy chairman of the National Defense Commission, and Grzegorz Kostrzewa-Zorbas, deputy director of the Europe Department in the Ministry of Foreign Affairs, by Jozef Orzel; place and date not given: "National Security Does Not Just Mean Alliances"]

[Text] [Orzel] What is national security?

[Kostrzewa-Zorbas] It means problems of response to short and long-term dangers, problems of strengthening the potential and integrating various domains of the country's politics and life—not just of the government but of the entire society, the entire economy, all that makes up what we call Poland.

[Szymanderski] It means anticipating various perils, isolating what we can influence from what we cannot in any way influence; it means attempting to place Poland only in situations which we can influence.

At present the institutions attending to national security are absent or disintegrated. There exist institutions in isolation from each other attending to ecological, economic, and military dangers, respectively. The creation of an integrated system of national response to dangers, which Mr. Kostrzewa-Zorbas referred to, is needed.

[Orzel] How should that system be organized?

[Kostrzewa-Zorbas] The solutions vary, because the problem has been solved differently in different democratic countries on which we could pattern ourselves. A national security system largely depends on the overall structure of state rule. In Poland we have features of a

presidential, executive power-centered system, which will probably become consolidated, and hence it is logical that the central structure responsible for national security be attached to the president.

[Orzel] Is the fact that the problem of Poland's security has not been solved responsible for the need to strengthen presidential powers?

[Szymanderski] The national security system has not been reorganized since the situation in Poland changed. People's Poland used to have its own security system, because it was part of a military empire. That system was based on the existence of the Politburo of the PZPR [Polish United Workers Party] Central Committee, which wielded all power and exercised it in fixed ways. Of course, these ways were not legal, but they did exist. The collapse of that power resulted in that discrete institutions attending to national security do not work together at present. In People's Poland two institutions at the same rung of the ladder needed a third, hierarchically higher one. There were no horizontal connections. At present, the absence of these connections affects very adversely our national security, because they have not yet been replaced by anything new (it is just beginning to be in the works).

In this sense your question is a hard one. Is the Politburo to be replaced by the president. Clearly not. The president will not, even if we have a presidential system, be able to act unless he is provided with appropriate legal instruments. The absence of law cannot be replaced with a strong authority. A strong authority means an authority endowed with laws enabling it to effectively coordinate the activities of the institutions attending to national security.

[Orzel] Who should be endowed with these powers? The government or the Office of the President?

[Kostrzewa-Zorbas] In my opinion, the branch of power which is the most stable, and, at present, this happens to be precisely [that of] the president, at least until the parliamentary elections. Previously, before the presidency was won by Lech Walesa—who has the mandate of the society, won in direct, popular elections—it had not been possible to construct a coherent structure of national security in a situation in which political and social divisions had been obliterated by the roundtable.

Immediately after assuming the presidency, Walesa began to create a national security institution which is to be based on cooperation among various agencies, ministries, and services, chiefly government ones, and thus chiefly on cooperation between the president and the government. This is unlike the former National Defense Committee, which consisted of a clandestine core endowed with genuine powers and a decorative outer circle of publicly known members.

As of last December, when Walesa became president, we entered upon the next major stage of reconstruction of

the Polish state, and its inseparable component is creating a security structure in which the president would be the first chairman and the prime minister the first deputy chairman. A more logical arrangement would be difficult to find.

[Szymanderski] Such a structure must operate on two planes. First, it must be a body attending to strategic long-range thinking. Why cannot it belong to the government [as distinct from the presidency]? Because any government is actually busy with current affairs and loses the long-range view from sight. That is why national security councils have been formed under the president in various countries. A government faced with parliamentary ploys is less stable than a president elected for a specified period of time. In contrast, in time of war the national security council must efficiently and smoothly assume power over all the agencies of state. What does this mean? The fewer new institutions we create, the more free of conflict that takeover will be.

The structure of the present National Defense Commission is particularly cumbersome, because the president is still hobbled by laws dating from the communist era, and thus he is constrained to act within, e.g., the framework of the law on military service which specifies what he can do and what he cannot. The president is the chairman of the National Defense Commission, the prime minister is its deputy chairman, and the commission's members consist of six principal ministers of state—the ministers of defense, internal affairs, foreign affairs, finance, etc. These people all have their own advisers and their own think tanks. In peacetime the National Defense Commission should not have special administrative duties; all problems should be handled by the regular government administration.

[Kostrzewa-Zorbas] Let me point out that the National Defense Commission should not play an administrative role, except in special cases; it should rather play a coordinating role. That is so in the United States, whose National Security Council coordinates the activities of all the concerned and authorized institutions of the government administration.

[Orzel] Given Poland's situation, what should the principles for building external security be like? We have practically already withdrawn from the Warsaw Pact, but we are still far from joining any other security system.

[Kostrzewa-Zorbas] National security consists of many factors—of alliances, but not only of alliances. Appropriate economic ties combined with energetic or technological ties sometimes exert a greater influence on national security, and are greater assets, than formal military alliances and the army. Poland's geographic location is special, and therefore it has to attend to its entire potential and not just to armed forces or an efficient intelligence service. This requires an appropriate political orientation of the state, of the internal system, and of economic relations. The main pillar of

our national security is a pro-Western orientation, that is, an orientation toward the highest developed civilization, combined with working out new relations of equal partnership with the East. Achieving the status of association with the European communities, and subsequently joining them would be a great step on the road toward national security. We must engage in difficult work to promote the most far-reaching rapprochement in various directions, which will bring us close to potential alliances, *de facto* alliances, semialliances, or three-fourths alliances.

[Szymanderski] We would face a great danger if we were to find ourselves in the transition zone between the Soviet Union and Western Europe. It would be dreadful if the frontier of Western Europe were to lie along the Odra River and we were to be the leaven of a new cold war, because Poland's negotiable position would enable the Soviet Union to complicate detente. Poland would then be a bone of contention, and it would complicate Europe's policy. Indeed, we have to conclude such quarter-alliances or three-fourths alliances. We must pursue an unusually difficult policy and we have no guarantees that we shall succeed therein. Our objective should be the formation of a Europe that would perceive that Poland is located in its security zone. The point is not just that ours should be a zone of economic security but that we should be needed by Europe for the sake of its internal political balance; this is our only chance. If Germany is to be the frontline state in united Europe, it will occupy a special, privileged position. If on the other hand Poland is to be the frontline state, then, of course, Germany will remain Europe's largest power, but Poland may contribute to maintaining a certain political balance within Europe. This chance must be exploited, but that is not easy, because we have something to give Europe—a kind of dowry for such a marriage, e.g., our army. But our army must be compatible with Western armies, whereas in reality it is equipped with cumbersome Soviet weaponry which is no good to anyone. We are spending 24 trillion zlotys on it, and even so it is incapable of defending us against any threat.

[Kostrzewa-Zorbas] Let me also state the fears of certain Poles who claim that the greatest danger we face—not very likely, on condition that we constantly counteract it—is our peripheral location vis-a-vis the West in both the economic and civilizational senses, combined with our peripheral location vis-a-vis the East in terms of national security.

[Orzel] An army and an economy which do not match standards in the West are not an acceptable dowry to it. Neither are our exports, for certain. What about imports? Do they mean the entry of foreign capital into Poland? We are not as yet prepared for that. Such a dowry also is nonexistent. Well then, which alignment in Europe could we pursue? Whom should we choose?

[Szymanderski] We should orient ourselves toward the countries that think "Atlantically," toward an Atlantic policy. We should point out to these countries and their

politicians that Chateaubriand was wrong in claiming that to West Europeans it is a matter of indifference how frontier lines are drawn in the sands of Eastern Europe. In Chateaubriand's times that may have been true, but today the character of East Europe is highly important to the West European, to his security, to the growth of his way of life, his culture. Poland as an authentic and law-governed democracy is part of Europe, even if it is not as wealthy—provided that this scarcity of wealth does not cause internal shocks. If internal shocks happen, we shall have a free market but we shall become like Bolivia.

[Kostrzewa-Zorbas] Let me point to the existence of one Central Europe with a fairly uniform civilizational level and similar problems, despite all the differences among Poland, Czechoslovakia, and Hungary. This Central European triangle already is a fact, although we are only at the beginning of the road. Rapprochement within Central Europe will be our contribution to Western Europe, which is expecting such a contribution, in the form of a novel regionalism. [We should aim at] Central European cooperation not in lieu of integration with Western Europe but as a way of facilitating that integration. It is extremely important whether the West views Central Europe (as I read in even the most elitist American periodicals) as an area "in which the withdrawal of Soviet rule reveals a snakepit of ethnic, border, territorial conflicts and phobias" or as a place of harmonious cooperation and joint building of new values.

[Orzel] Could you answer specifically a question that we are always asking in this country: Are we to approach Europe via Germany (that is, by having Germany as our older brother or ally), or are we to approach Germany via Europe?

[Szymanderski] What does it mean, via Germany? This is a graphic image, because Germany lies between us and the rest of Europe and thus we have to cross it, as it were. But Europe (including Germany) is a particular political system, an alignment of interests among bureaucracies, finance, culture. Europe is an institution. We are to find a place within it. If we become part of a united Europe, we shall be no closer to Germany than to Spain. Or this may not be an institution but an ensemble of normal geographical alliances, an ensemble of countries fitted together like a jigsaw puzzle. If it is an institution and we are part of it, then the fact that we and Germany are direct neighbors will be of secondary importance.

[Kostrzewa-Zorbas] Once they overcome their boundary and ethnic problems, Poland and Germany may build a special community of interests, starting with economic and regional cooperation. But let me draw attention to the potential for Polish-German cooperation in the domain of European security. Of course, by this I do not mean some anachronistic 19th century alliance. Well, territorial proximity, a certain cultural closeness, common experiences, common paradoxical menaces of totalitarianism, and common location along the most critical geographic line in Europe, and perhaps in the

world, argue in favor of the idea that Poland and Germany should view one another as partners in national security. This has almost never been mentioned in the past, and here lies a field for bold initiatives. In this respect, stereotypes will be an obstacle as rarely before. The stereotype of "the eternal German foe" should be immediately consigned to a museum and new, more up-to-date solutions explored.

[Orzel] What should be Poland's policy toward the Soviet Union and individual Soviet republics?

[Szymanderski] This is a particularly sensitive issue, because, for at least two reasons, we do not know to whom that policy should be addressed. The survival of the union is uncertain, and neither can we tell whether Russia will conclude with the other republics (or with some of them) a pact similar to Warsaw Pact and CEMA, and whether that will be a military bloc or a grouping of independent countries. The second reason is that even if the Soviet Union survives intact, it will essentially be nonexistent, because it is difficult to articulate its interests as a whole. They can be said to be the interests of the Soviet Army, of the industry lobby, of the Communist party, and of other all-Union institutions, of which few have survived by now. But there is no such thing as the interests of the Soviet Union as a whole. One thing is certain, we should not pursue a policy favoring the interests of the Soviet Army. We should support the interests of the forces in the Soviet Union which compete with the Soviet Army, because the latter is the sole imperial institution that has remained unchanged.

[Orzel] What about the Communist party?

[Szymanderski] The party's status is no longer the same as it used to be in the former Soviet empire, because by now, e.g., Soviet party officials no longer rule Poland.

[Kostrzewa-Zorbas] Generally speaking, what kind of Eastern policy? A twin-track policy. That is, in addition to relations with the USSR, the recognition of actual political entities (e.g., republic governments or political parties) and the assumption of dialogue with them, a dialogue whose intensity is up to them, not to us. This policy has proved itself and should be expanded. In this connection, it is worth noting that such a twin-track policy, a Polish concept, devised in Warsaw, is at present eliciting tremendous interest in the world—in America, Europe, and Asia. Thus, among the countries of the world, Poland may specialize in Eastern policy, in evaluating the situation, in exploring appropriate responses, in formulating the right policy. We have proved ourselves in that role.

[Orzel] Could the army again become a main political force in the USSR?

[Szymanderski] I believe that in the Paris treaty among the United States, the USSR, and other countries, on restricting conventional arms, diplomacy prevailed over the army and the army was curtailed by diplomatic means. In 1946 Stalin posed the matter conversely. He

said that the growing imperialist pressure on the camp of socialism can be repelled only by the Red Army and not by the foreign policy of the Soviet Union.

[Orzel] Incidentally, the openly and publicly proclaimed return of the temporarily dislodged or suppressed army to a position of strength represents a major blow against the Paris treaty by the USSR.

[Szymanderski] The statement can be hazarded that the army's interventions in the Baltic countries were its response to the Paris treaty.

[Orzel] Can we have good relations with the USSR?

[Kostrzewa-Zorbas] Yes. This requires efforts from both sides—efforts to overcome oneself and understand the other side, the partner, if the relations are to be on the equal partnership basis. Poland will be the more attractive partner to both the USSR, or some future form thereof, and to the individual Soviet republics and nations the more it becomes itself and at the same time the more Westernized it becomes.

[Orzel] Is Poland secure? Will Poland be secure?

[Szymanderski] At the moment we are not being menaced by any external military dangers. Should we be, all we could do would be to recommend ourselves to God's care, but we are not. We may, however, be threatened by other perils, e.g., ecological ones, which may engender major conflicts. Thus, arduous and industrious construction of the Central European triangle by the Ministry of Foreign Affairs may be blown apart by ecological conflicts between Poland and Czechoslovakia, and between Czechoslovakia and Hungary. But our external security hinges foremost on our domestic stability. That is why I wish to prompt the revolutionary parties to think twice before they decide to start a revolution.

[Kostrzewa-Zorbas] The question whether Poland is secure, whether in general any country whatsoever is secure, cannot be completely answered in yes or no terms, not even in the case of the United States. We can speak only of a degree of security. In the short run this degree is extremely high in Poland, but in the long run our national security would become weaker unless we sink strong roots in Europe and become its integral element. That is why in Poland the work on the national security of all people and institutions will be particularly difficult. If we consider such countries as the FRG in the first years of its existence, if we view Turkey, Israel, Pakistan, which are located in particularly difficult areas of the world, it may be that the task we face is even greater.

[Orzel] Are the problems involved in the withdrawal and transit of Soviet troops dangerous to us?

[Szymanderski] The Soviet troops stationed in Poland and which are going to be repatriated do not represent a direct military danger to us. Let's not scare each other

with these troops. This is a political issue, a treaty question, a question of an understanding; let's not react hysterically to it.

[Kostrzewa-Zorbas] In Poland there is the widespread myth, largely nurtured by the sensationalist press and local politicians running for county elections, the myth of the hordes which will overrun and trample Poland not from the east toward Legnica [headquarters of Soviet troops stationed in Poland] but across Poland from Legnica toward the east, with the same effect. Nothing is more mistaken. The transit of Soviet troops will in practice not differ from normal freight and passenger traffic. To the satisfaction of both sides, it has been reduced to rail transit across Poland, [although] conveyance by air would not hurt us while conveyance by sea would bypass Polish territorial waters. No columns of several hundred or even just several trucks each are envisaged. Rail transports under Polish escort will, in general, be hardly noticeable, and they will give some business to Polish railroads, which have been affected by the recession and a substantial decline (several dozen percent) in traffic volume.

[Orzel] Is the turn toward the West a guarantee of Poland's security?

[Kostrzewa-Zorbas] We must have a linkage with those areas of the world in which civilization has reached its highest and most successful level. As to the location and identity of these successful areas, everybody is perfectly aware of them.

The other member countries of the disintegrating [socialist] bloc may take the same road if they can solve their domestic problems. We can take this road in the company of our eastern and southern neighbors by cooperating with each other, because few aspects of national security are more precious than good neighbor relations.

ROMANIA

Minority Paper Reports Iliescu Press Conference

91BA0611A Bucharest ROMANIA/MAGYAR SZO
in Hungarian 26 Apr 91 pp 1-2

[Article by Tibor Kozma Kis: "Iliescu: 'I Had and Have Hungarian Friends'"]

[Text] President Ion Iliescu began his press conference as follows: "I have been told by the press a number of times that I was not inclined to engage in dialogue, that I was avoiding contact with journalists. It is indeed true that thus far, I have not been in the limelight, but this is closely related to my spirit; I do not like public appearances. Despite all of this, I should recognize that today's politicians are increasingly becoming manipulated actors who must learn the techniques of the stage. I will endeavor to learn this technique," the head of state promised.

Following this brief confession, that was slated to be an introduction, President Iliescu stressed that Romanian society was undergoing some complex processes, and that it had to face not only the ordinary difficulties. Mr. Iliescu said that for this reason, the need to enforce national interests calls for cooperation among the creative forces of society, he then continued his statement with yet another confession. "Sometimes I envy the countries which struggle with problems similar to ours, but are able to rise above narrow group and partisan interests while projecting a far more favorable image abroad than we can. By the same token, in the course of my foreign travels, people have mentioned the examples set by the Polish and the Hungarian people. The Hungarians already managed to make peace with their emigration in the days of Kadar, and therefore, I do not know how to explain the fact that the Romanian dispersion is still not willing to make peace with us."

President Iliescu said that he was frequently accused by the press of rejecting criticism. "I do not reject criticism, but I do not like disinformation, lies, and slander. In decisive moments like these, everyone of us must be embued by the spirit of responsibility for the nation. I did not intend these words to be a warning, all I meant to say was that the controversy I find in the press deeply saddens me."

In his further remarks, Mr. Iliescu spoke about the policy of opening [toward the West] and Romania's international endeavors. Mr. Iliescu regarded President Mitterand's recent visit to Romania as a significant event. He said that it was difficult to understand the petty accusations and malice manifested by the press, which claim that Mitterand's trip to Romania was done in haste and that it was not a timely step. Statements like these attest to gross discourtesy, political immaturity, and a lack of culture, the head of state noted.

The new cooperative agreement consummated with the Soviet Union was one of the main topics at the press conference. Mr. Iliescu claimed that this agreement placed relations between the two countries on the foundation of the basic principles of international law. "I was attacked by the press for having reached this agreement," the head of state complained, "there were endless questions about the hastiness of this step, and why Romania was the first to reach such an agreement. On the other hand, no one asked why Romania was the first state which declared null and void the previous, obsolete agreement with the Soviets." Mr. Iliescu went on to explain that the agreement was not consummated in haste because negotiations and preparations took just about a year before the agreement was signed. "At the same time one should also take note of the fact that neighboring countries are also conducting negotiations to consummate agreements similar to ours." He then added: "Acceptance of the principle of the inviolability of borders does not mean that we surrender the idea of the peaceful settlement of disputed issues. Some people

expressed apprehension by claiming that we have surrendered Bessarabia, but then I ask: Would we serve the interests of Romanians in Moldavia better if we were to instigate tensions?"

Mr. Iliescu found it necessary to state that the new cooperative agreement did not have secret clauses, as claimed by certain newspapers. President Iliescu summarized what he had to say with the following statement: "We publicized everything, we released the document in its entirety."

In responding to questions asked by journalists Iliescu also dealt with the issue of Romanian-Hungarian relations, but only to the extent of a few sentences. He said that at the founding meeting of the European Reconstruction and Development Bank in London he met Prime Minister Jozsef Antall. In the course of discussions the two politicians agreed that the unnaturally tense relationship between the two countries must be overcome. Iliescu also reported that during his stay in London he granted an interview to the Hungarian Television. In that interview he stated that whether we like it or not, history has placed these two nations next to each other, and that this fact must not be disregarded. Hungarians must understand the fears felt by Romanians, because Romanians of Transylvania have lived there for centuries, deprived of their rights, oppressed by Hungarians, and moreover, the Hungarians have refused to recognize the national existence of these Romanians. At the same time, the Romanians must understand the Hungarians, a people that has turned from a ruling nation into a minority overnight. It is hard to accept such a psychological shock.

"Conflicts between nationalities appear in the context of social tensions," Iliescu said at the press conference. "Extremist manifestations by either Hungarians or by Romanians produce nothing beneficial. I have deep roots in Transylvania, my mother is from Maramaros and my father is also from Transylvania. I have crisscrossed this part of the country, I know the people well, I had and have Hungarian friends," the head of state said.

An uncomfortable question followed, and the usual smile faded moments thereafter from the president's face.

"Mr. President, are you the president of all the Romanian people," the journalist inquired.

"What do you think," Iliescu tried to avoid the answer.

"In looking at the roster of your counselors I must come to believe that you are not the president of the Romanian people, but of the National Salvation Front. As long as you are concerned about your credibility, you should do something about having counselors who are party outsiders, without an exception."

"That's the way it will be," the president replied.

Well, this was straight talk.

YUGOSLAVIA

Bucar Addresses Pan-European Union Meeting

91BA0613B Ljubljana DELO in Slovene 22 Apr 91 p 2

[Article by Janez Odar: "Resolution in Support of Slovene Secession"]

[Text] Portoroz, 21 April—Within the framework of a two-day meeting of the Pan-European Union Alpe-Adrija, a round table was held in Portoroz last night, at which the meeting's sponsor, Dr. France Bucar, the president of the Slovene Assembly, described Slovenia's preparations for independence.

Dr. France Bucar emphasized that independence would quite certainly happen, although such a step was a great sacrifice for a state like Slovenia. In fact, it could even happen that because of a lack of understanding and complex international circumstances, Slovenia would remain a solitary and isolated island in Europe. At the same time, the president of the Slovene Assembly is convinced that the West will soon realize how counter-productive, and a mere Trojan horse, the assistance being offered by Western countries only to a unified Yugoslavia could be.

The fact that Europe's attitude toward the events in Yugoslavia and Slovenia is not as uniform and firm as it seems at first glance is also proven by the decision of the participants in the Portoroz meeting to confirm their good will and sympathy for our aspirations by signing a resolution last night in support of the legitimate right of the citizens of Slovenia and Croatia to secede from Yugoslavia. In addition to Slovenes and Croats, the participants in the meeting of the Pan-European Union Alpe-Adrija in Portoroz also included representatives of Italian and German states, Slovakia, Hungary, and Austria.

Tudjman's Proclamation on 19 May Referendum

91BA0634A Zagreb VJESNIK in Serbo-Croatian
6 May 91 p 3

["Text" of proclamation by Dr. Franjo Tudjman, president of Croatia, issued in a press release by the Croatian News and Information Agency; date not given: "A Decision on Our Destiny"]

[Text] Dr. Franjo Tudjman, president of the Republic of Croatia, has issued a proclamation concerning the referendum scheduled in Croatia for 19 May in which he speaks to the Croatian people and all citizens of the Republic of Croatia and appeals to them to vote in the referendum. We print the proclamation below in its entirety:

Under the circumstances of the final talks on resolving the extremely strained governmental and political crisis of the Yugoslav community, the Supreme Command of the Republic of Croatia has adopted a decision to hold a

referendum on 19 May of this year. The general referendum is to furnish our response to the main issue between the republics of the SFRY that has existed up to now. For the second time in a year, the Croatian people and all citizens of the Republic of Croatia have an opportunity to express their will freely in the most democratic way concerning the future of their homeland. As citizens and freemen, you are called upon to declare what road our Republic of Croatia, which we have defined in our Constitution as an independent and sovereign state, will follow into the future. The referendum affords us an opportunity, and your civic conscience and ethnic awareness make it your duty for us to express our will decisively on whether the Republic of Croatia, as a sovereign state, can enter into an alliance of sovereign states with the other republics, or on the other hand should remain in a Yugoslavia that would be a federal unified state? A decision that a sovereign and independent Croatia can enter into an alliance with other sovereign states signifies a demand for implementation of those fundamental provisions of the Constitution of the Republic of Croatia which envisage that Croatia have its own international identity and its own armed forces, and a decision in favor of Yugoslavia as a federal state would signify consent that that unified Yugoslav state be the international entity and have its own unified armed forces.

The Results of the Referendum Are an Order To Be Followed by the Supreme Command

This, then, is history, a crucial moment for the expression of your democratic will. On the basis of the results of the referendum, the Supreme Command of the Republic of Croatia will be given a new legitimacy following the first free elections and a new mandate as to its behavior and the decisions it makes in the present and future talks to resolve the insupportable Yugoslav governmental, political, and economic crisis. The result of the referendum will have the force of an authorization, but also an obligation to make the final decision within the supreme bodies of the Republic of Croatia. In last year's first multiparty elections, Croatia already stated unambiguously what it wishes and in what direction it wants to go. It is on the basis of that express will that the Croatian Assembly adopted last December the Constitution of the Republic, which proclaims the foundations of a new democratic and sovereign Croatia. In conducting a government policy pursuant to the precepts of the Constitution and the task of implementing in practice Croatia's full sovereignty and independence, the Republic's Supreme Command prepared a draft proposal to transform the heretofore Socialist Federal Republic of Yugoslavia into an alliance of sovereign and independent republic-states. The proposal for that kind of alliance is based on the judgment that in this way we can democratically realize our goal of the sovereignty and independence of the Republic of Croatia in harmony with the present general conditions and relations in Yugoslavia, but also with the imperatives and circumstances of the international border in Europe and indeed even world factors.

We have likewise made a resolute declaration that should an agreement be impossible on that kind of alliance of sovereign and independent states, the only reasonable alternative could only be a separation from the present Yugoslav state. We have offered both solutions as a politically responsible, democratic, and reasonable way of resolving the profound crisis which has seized Yugoslav society and the Yugoslav state.

Experience Argues Against a Federal System

The Supreme Command of the Republic of Croatia has not accepted proposals that the way out of the crisis be sought within the framework of the present or some new democratic and supposedly federal system of Yugoslavia because we have sufficient experience and knowledge that such proposals on maintaining the unified Yugoslav state are unacceptable to Croatia. The lengthy and fatiguing talks between the top leaderships of the Yugoslav republics and federal bodies have unfortunately not yielded satisfactory results as yet. The Supreme Command of the Republic of Croatia, and I personally, have made the greatest efforts to lay a reliable, clear, and definite foundation for regulating new relations within the framework of a possible alliance of sovereign states acceptable to us and modeled after the European Community. Our point of departure here was the awareness that only free and sovereign peoples can live permanently in peace and friendship, or at least good-neighborliness. Only peoples who are masters in their own house can freely, without any sort of external or internal coercion, build their own mutual governmental, economic, and all other relations and linkages. The Republic of Croatia would be ready to enter into a possible alliance of sovereign states provided that the others also perceive it as a form of democratic community of independent republics under the same conditions that apply to everyone.

In keeping with the general agreement among the Yugoslav republics, the referendum also offers another opportunity: For you to state your opinion on whether you favor that the Republic of Croatia remain within Yugoslavia as a federal or unified federal state, which is the original proposal of the Republic of Serbia and the Socialist Republic of Montenegro.

Appeal to the Serbs in Croatia

While I am addressing all citizens of the Republic of Croatia, I would particularly like to appeal on this occasion to the Serbs in Croatia and also the members of all other ethnic minorities: Muslims, Italians, Hungarians, Czechs, Slovaks, Jews, Albanians, and others, to vote in the referendum in favor of the sovereign Republic of Croatia and to be convinced that it will afford them and guarantee them comprehensive cultural development, all civil rights, and full security and economic prosperity in a community with the Croatian people and all citizens of the Republic of Croatia. Accordingly, the final decision on the status of an

independent and sovereign Republic of Croatia in government law must be an expression of the will of a majority of its citizens. Your will will be respected, it obliges the supreme government authority to carry it out unconditionally. That is why your choice must be free and responsible, and the decision will be evidence of our determination to be masters of our own destiny, which will not be decided by any force or any other interests than the interests of the Croatian people and all the citizens of our republic. That democratic procedure and that decision following from it will, of course, be accepted by the entire free world.

We are convinced that the entire European and world democratic public, as has been the case up to now, will offer us support in our efforts to achieve our freedom and the sovereignty of the Republic of Croatia because the result of our referendum will place that kind of obligation even on the world public.

I therefore call upon you, dear Croats and all honest citizens of the Republic of Croatia, to vote each and every one of you in the referendum in order to reinforce the freedom and democracy that have just been won and to bring about the full sovereignty of our homeland. May the referendum be conducted freely and democratically, peacefully, and decently, in a manner fitting for a free people and people with experience in the world who are deciding on the destiny of their own Croatia, Dr. Franjo Tudjman, president of the Republic of Croatia, said.

Rift in Socialist Party of Serbia Reported

91BA0634B Zagreb DANAS in Serbo-Croatian
7 May 91 p 4

[Article by Radmila Stankovic, Belgrade: "A New President Without a Congress"]

[Text] If one is to judge by the statement of Radmila Andjelkovic, vice president of the Socialist Party of Serbia (SPS), the main committee of that party is to debate in the next few days the proposal "from the rank and file" that Borisav Jovic be elected president of the SPS.

To be sure, it needs to be said that the rank and file and part of the leadership of that party actually want an extraordinary congress of the Socialist Party of Serbia, above all because of the poor performance of the leadership. But Andjelkovic sees no reason for that except for election of a president. But in all likelihood the president will be elected "by statutory procedure," without an extraordinary congress. "So as not to give the impression that the leadership does not wish an extraordinary congress," the vice president says, "we will also be discussing that in the meeting of the main committee."

The Dogmatic Wing at the University

The leadership probably does not want any further dramatization of the disagreements in its ranks, and it is well known that they have existed since unification of

the former Socialist Alliance and the former League of Communists of this republic. Following the election of people's deputies to the Assembly of Serbia, we recall the statement of one of the "democrats" in those ranks which, to be sure, was not made public, in which he demanded that all candidates of the SPS who had lost the election should be dropped from the rolls of the party. It is also well known that Slobodan Vucetic (he was also a loser in the December elections) had received a "rap on the knuckles" because he declared that the SPS had a strong dogmatic wing concentrated at Belgrade University. In light of the fact that Dr. Mira Markovic is the "main ideologue" there, it is clear how far Vucetic goes in his statement to strike all those close to the Milosevics.

Dr. Vladimir Stambuk, who is today a member of the Executive Committee of the SPS, says that in his statement Slobodan Vucetic has actually "asserted without supporting arguments that there is a dogmatic current in the SPS, and that is why he was attacked without supporting arguments in POLITIKA." However, Stambuk added that Slobodan Vucetic was not penalized in any way on that account, but rather was nominated on behalf of the SPS as one of the three members of the Serbian National Council. (Because I am afraid that this Council will not even take on life, I see that Vucetic has been given the treatment known in English as "being kicked upstairs.") All of this, according to Stambuk, should be taken as an illustration or proof that there is no split in the SPS, but only differing opinions, and that does not constitute grounds for an extraordinary congress. Prime Minister Dragutin Zelenovic knows best how much water that explanation holds; after an interview in NIN in which he spoke critically about the leadership of the SPS, he immediately had to report to the party's executive committee, even before his denial was published (there is some question as to whether it can actually be called that), the general secretary of the party, Petar Skundric, was already explaining that the newspaperman was at fault and that everything would be clear once NIN published Zelenovic's letter. So, this was a difference of opinion which could not be denied, nor could Vucetic's nor that of Radmilo Bogdanovic, former Serbian police chief.

Jovic President?

It was difficult for the SPS leadership, just two months later, to speak contrary to the statement made after the resignation of Slobodan Milosevic to the effect that the SPS has no need for an extraordinary congress because the role of the president can be performed by the executive committee as a collective body with 20 members. Now we should seek a solution whereby "the wolf will be full and all the sheep in the fold," in other words, elect a president of the SPS, but do not hold an extraordinary congress, as envisaged by the bylaws. The problem will probably be eliminated by electing the chairman of the main committee, which for all practical purposes runs the party. If one is to judge by the disposition of the membership, that would be Borisav

Jovic, whose term as president of the SFRY Presidency expires in May. We have to see whether he will continue as a member of the Presidency, or if on the other hand his resignation will be accepted; it could be if it is found that his presidency at the head of the SPS is more important. Otherwise, Jovic will remain a member of the SFRY Presidency, and as a member of the SPS main committee he could become its chairman.

Slovene Member of Parliament on Sovereignty

91BA0613A Ljubljana NEODVISNI DNEVNIK
in Slovene 25 Apr 91 p 5

[Interview with Tone Persak, vice president of the Sociopolitical Chamber of the Slovene Assembly, by (ab); place and date not given: "By This Time After a Year"]

[Text] [(ab)] Tone Persak (SDZ [Slovene Democratic Alliance]), the vice president of the Sociopolitical Chamber of the Republic Assembly, is the ideological father of the declaration on the sovereignty of the Slovene Republic as a state, which came before the public a year ago, and was adopted in parliament on 2 July. How do you assess the progress toward independence to date?

[Persak] I expected that the process of reaching independence would take place more quickly. Even though certain things have been done, we are falling behind. We took too little advantage of the two to three months after the plebiscite. I do not agree, in fact, that the half-year deadline from the plebiscitary decision to its implementation should be interpreted as a preparatory period. It is understandable that some specific things cannot be carried out because of financial, personnel, and space matters in the foreign policy area, but that process ought to be finished by 23 June.

I think that what the government is saying is correct, but I am afraid that there is not enough time for it. Namely, we would have to pass about 15 laws, including a law on citizenship, concerning which there will be intense political discussions. The government is acting too late in specifying measures and taking individual legislative steps, especially in the economic area (customs, money) and with regard to the citizenship situation (passports). The consequence of this is that the federation is not taking us seriously, and thinks that it will be able to satisfy us by offering some sort of temporary loosening. Foreign policy factors were also more prepared to accept us before than they are today.

[(ab)] Could it happen to us that Yugoslavia would simply uncouple us, like the last car in a train?

[Persak] That depends on how things are resolved within Yugoslavia, especially between Croatia and Serbia. We would have to be prepared for such a possibility. We would have to risk unilateral steps and take the risk of having difficulties for some time. That risk is still less than the one of seceding now. The response in Yugoslavia would be something like, "A child who creates difficulties will have to be punished." I am not afraid that the world would leave us in isolation too long, and

certainly for pragmatic reasons. Slovenia's isolation would cause the neighboring countries as many difficulties as it would us.

[(ab)] The Chamber of Opstinas and the Chamber of Associated Labor are prepared to discuss Markovic's program, but the Sociopolitical Chamber is leaving it for the joint session. Why is that?

[Persak] The attitude toward Markovic's program shows understatement and coolness toward the federation's policy. It is not so much a matter of whether the points in Markovic's program are good or not: Some of them probably are. If we are thinking seriously, then we will certainly not build a legal, political, and economic system [for Yugoslavia], but as long as we are part of Yugoslavia, while leaving, we have to make it possible for those relations to function as normally as possible. We should not block elections to the Federal Assembly. Our attitude toward Markovic should be clarified as soon as possible. If he does not adopt budgets acceptable to us, we would also have to reciprocate by stopping our minimal contribution.

[(ab)] In February, the Slovene Assembly sent all the republic assemblies the declaration on separation by agreement. It appointed Milan Kucan, Lojze Peterle, and France Bucar to the negotiating group. That assignment has been handled primarily by Kucan, but Peterle has met several times with Markovic and with Croatian and Serbian representatives. But there have not been any interparliamentary republic consultations and negotiations...

[Persak] It is bad that we have not established contacts with the parliaments of the other republics. Some of them, in fact, are definitely pluralistic. We would encounter more understanding from them, since in the end the assemblies will still be the ones who decide.

[(ab)] What will happen after 23 June?

[Persak] No federal law would be valid in Slovenia any longer, except for certain ones which we would adopt as republic laws, so that all institutions could function under republic control (flight control, the institute for standards, for weights and measures, customs...). We would have a completely independent defense policy and army, and JLA [Yugoslav People's Army] units would probably still be deployed, which would only have a treaty function in Slovenia itself, like the Soviet units in Germany, for example.

On 23 June, we should already have our own money, although the dinar could still be used for some time, and the National Bank of Slovenia should be completely constituted. I am afraid, however, that there will not be enough time for this.

[(ab)] Will the deadline for independence be postponed?

[Persak] I would not consent to extending the deadline, since in that case we would have to change the law on the

plebiscite. It is possible that we would adopt some document on independence with a temporary use of institutions. Another question is what Croatia will do, and how the rest will view that.

[(ab)] What about the security and defense aspect of independence?

[Persak] I have confidence in the reports from that area. Those responsible are still the ones best prepared for possible complications. I think that it is unlikely that there will be any serious intervention. I doubt that Yugoslavia is strong enough to be able to endure further tension, since it would have to keep Slovenia in fear for some time to come.

BULGARIA**Army, Defense Ministry Change Names**

*AU1005142091 Sofia BTA in English 1105 GMT
10 May 91*

[Text] Sofia, May 10 (BTA)—Adopting a special act, today parliament amended the country's Military Service Act. The attributes "People's," respectively

"National," were deleted from the names of the Army and the Defence Ministry, referred to in the former act as "Bulgarian People's Army" and "Ministry of National Defence."

A couple of months ago parliament passed through an amendment to the Constitution removing the attribute "People's" from this country's official name which was "People's Republic of Bulgaria."

BULGARIA

Problem of Distributing U.S. Grain

91B40567A Sofia 168 CHASA in Bulgarian 2 Apr 91 p 5

[Article by Milena Popova: "The Specter of American Corn Is Roaming Over the Countryside; Meanwhile, the Private Manger Remains as Empty as the Shopping Bag of a Pensioner"]

[Text] Thousands of feverish computations with pencils and computers and dozens of sweaty conferences, lasting an entire four months, were spent in preparations for the meeting between American corn and our private farmers. According to an old Bulgarian custom, the organizations in charge of this project started quarreling about money. To this day, no farmer knows when and how much feed he will receive and what he will have to pay.

Everything Followed the Classical Scenario

The "music" was commissioned on the highest level—Professor Berov, the presidential adviser, assigned to the Agrokhransistem Center for the Electronizing of Agriculture, headed by its director, Professor Candidate of Economic Sciences Kol'ov Murgov—to distribute the available feed, based on the requests submitted by private farmers. Agrokhransistem met this task in two and one-half months: It prepared lists of the 150,000 persons who had filed requests through the mayoralties, listing their full names and the kg of feed per unit and type of cattle. The price of the feed was entered later. Everything was clear, accurate, and easy to check.

The Foreign Aid Agency, as well, was not inactive. Its former director sent a letter to Agrokhransistem, in which he generously offered to pay the programmers one stotinka per kg of corn (?). In January, however, the leadership of the agency changed. Conferences began to be held between the two organizations, involving experts from the AChP [Agency for Foreign Aid], affiliated with the main political parties. It may have appeared that the discussions dealt with the method of distribution. In fact, they were haggling about the money the center should obtain from the agency for the work it did. Please note that to this day no contract has been signed between the two parties.

Meanwhile, the corn freighter arrived, along with the first 30,000 tons of corn. Everything followed the scenario: urgent telexes, folders with correspondence and minutes of sessions, delegations coming from the villages, and eight oblast conferences aimed at taking the necessary steps. Experts issued valuable instructions such as: "The requests must be considered valid if they are certified by the political forces in the country."

In the middle of February, Agrokhransistem (after requesting the agreement of the agency but, instead, meeting with its silence) sent its list to the settlements.

The agency, however, instructed the mayors to set them aside and to draw up new lists. It was thus that

The Organization Is Cracking Up, Members of the Jury!

It became clear that this was due to "methodological" reasons. According to Bozhidar Drundarov, deputy director of the AChP, Agrokhransistem violated the wish of the donors by allowing requests to be filed by farmers who are members of the TKZS and not only by private farmers, while omitting in its lists entire municipalities such as Aytos and Popovo. That is why the agency decided to take the January data on the number of privately owned livestock and not the data of the individual farms and municipalities, compiled by the Central Statistical Administration (now an institute), and, on the basis of such data, to determine how much feed should go to each municipality. We checked: According to the experts of the Central Statistical Administration, no distinction is being made between individual and private animal husbandry.

According to Professor Murgov, this would have led to an insignificant amount for everyone. In his view, ignoring the specific needs for feed and its centralized distribution would lead to chaos, discontent among the farmers, and the possibility of speculating with the feed and profiteering. He rejected the claim by Mr. Drundarov that he had failed to submit on time the method for the distribution: "We keep explaining it, all the people have understood it, and it is only they who have not understood. You will see that people will go to court for this corn." The omitted municipalities have not submitted requests, and the requests themselves were coordinated with the Americans, he said.

As for the financial dispute, Drundarov considered the price set by his former colleague (one stotinka per kg) absurd and believes that the claims of Agrokhransistem are immoral. Professor Murgov, in turn, described this view as immoral.

Presidential adviser Professor Berov did not take sides in the dispute because he was unfamiliar with its development. His office is only a few meters away from that of Drundarov, and the walking time between the warring parties is no more than 15 minutes.

In the increasing chaos over the distribution of the feed, the only thing clear to the private farmer is the following: He will pay a lot of money to barely feed his animals for about a month. But, then, who is forcing the cattle to go to private managers?

Had It Been Owned by the State, It Would Not Have Gone Hungry

What will our farmers pay for the free aid, bearing in mind that now such aid is also threatening the social peace for which the farmers paid so dearly? The price of

the feed includes handling costs, the cost of the components, transportation by Bulgarian rail and trucks, veterinary fees, and the salaries of distributors in the warehouses. The agency has paid Agrokhransistem between 1,319 and 1,795 leva per ton, although the newspaper BULGARSKI FERMER reports that the average price was 2,400 leva per ton.

It has already been reported from the municipality of Gulubovo, in Stara Zagora Oblast, that an identical type of feed is being sold at different prices in different municipalities. Naturally, the difference will be privatized by the state officials and not by the private farmers. Nor is it clear how much money from the sale of the feed will be deposited in the special account for aid to private farming. Whereas this can be established according to the computations of Agrokhransistem, the "method" used by the agency remains a total secret, the more so since its specialists allocated not 130,000 tons, which is the amount that will come from the processing of 100,000 tons of corn, but only 100,000 tons. According to Drundarov, the 30,000 tons will be set aside for special cases, for people who are particularly needy.

Nonetheless, is a young, energetic, and nontotalitarian organization such as the agency guilty of having to willy-nilly support itself from the free aid, without demonstrating competently done work? The error may be that of the Americans. They did not consider carefully two basic matters. First, they did not detect the fine difference between private and individual animal husbandry and the fact that there is no private farming in our country because private ownership has existed de jure only (for no more than a few weeks) and not de facto, as well.

Second, they did not look deeper into the intimate nature of relations between the state and the private entrepreneur; they did not anticipate the fact that the state must now be put at the service of the entrepreneur and not vice versa. This, in practice, is an entirely new feature for the state. It is that same state that proved to be a specialist in the distribution of goods, particularly those received free of charge from abroad.

Financial Scandal at Tekhnoeksportstroy

91BA0468A Sofia 168 CHASA in Bulgarian 19 Mar 91
p 32

[Article by Vileta Zhelyazkova: "Tekhnoeksportstroy Is Crying for an Audit"]

[Text]

Bulgaria May Become Bankrupt, but General Director Marin Dzhermanov and His Retinue Will Not Go Down

A source who wished to remain anonymous telephoned the editors of 168 CHASA to report that Aleksandur Ilchev, who was once a barman on the Black Sea coast, had set up a private firm in Nigeria with the help of Tekhnoeksportstroy [TES].

Aleksandur Ilchev started his career with that powerful foreign trade construction organization as a supplier in 1972. He ended that career six months ago as director of its branch in Lagos. After that, he left the state firm that had made him a specialist and joined the private company of Sule Katagum in Nigeria. There would have been nothing wrong with that, had that same Sule Katagum not been chairman (director) for Nigeria of the Bulgarian-Nigerian joint venture. (Eng. Marin Dzhermanov, TES general director, is chairman of the Bulgarian side. It is being said that he, like his former chief, Grigor Stoichkov, owns a share of the company.) It would be interesting to know the type of mechanization facilities with which this private company operates. Are its machines leased or purchased for a pittance, having been written off by TES? And does the company use TES materials, purchased at a very low price or acquired free of charge? Smart people like Ilchev and Katagum will be able to benefit from their socialist partner as a result of pilfering, lack of control, and incompetence....

It is no accident that Sule Katagum, the company owner, has a warm feeling for Aleksandur Ilchev and his former chief. To ingratiate himself, no money was spared from so-called representation expenditures or from the "good services" of TES. Here is a small example:

In 1989, Aleksandur Ilchev drew up, and Dzhermanov signed, report No. 1157/89:

"In connection with the annual meeting of the board of directors of the company, which will be held in Sofia between 10 and 17 September 1989, I suggest that funds be offered to the Nigerian partners in leva: 5,000 to Sule Katagum, 4,000 to General Inni, 4,000 to Mr. Egbo, and 1,500 to General Okuniy."

The sum total was 14,500 leva, given in cash to the guests of the association. The minutes in which such expenditures are recorded, however, mention the amount of 15,500. Where did the difference of 1,000 leva, mentioned in the first and second minutes, go? Elena Zlatareva, internal departmental controller of TES, was fired. Recently, the court ordered her reinstatement, after she had waited one year without wages.

However, the generosity of Aleksandur Ilchev in favor of his present employer, Sule Katagum, did not end there. With his help and at TES expense, the Nigerian chairman, accompanied by his several wives, visited London, where he stayed at the Sheraton. His colleagues Inni, Egbo, and Okuniy, again at Bulgarian expense, traveled to Greece with their large families.

What lies behind the impressive statement of "annual meeting of the board of directors" was a free trip to Europe by the Nigerians.

TES has been engaged in construction work in Nigeria since 1972. The 69-year-old Dzhermanov, the company's general director, who refuses to retire, claims that the Nigerians owe us \$3 million. However, Kiril

Mutafchiyski, chief of the Lagos branch, believes that the amount is less—\$1.2 million to \$1.3 million.

This is a drop in the bucket, bearing in mind that the debt of the Libyans to TES has been increasing at a headlong pace since 1963. According to Dzhermanov, it has currently reached approximately \$300 million; according to Severin Popov, chief specialist at the Ministry of Construction, Architecture, and Urban Works, it is close to \$470 million. The precise figure is unavailable because it is a question of building military projects in Libya. The documentation is scant. TES activities in that country (which account for some 70 percent of its activities in the world) are surrounded by secrecy. All we know is that, for nearly 30 years, TES has been offering interest-free credit to its Libyan partners. This has benefited some Bulgarians, but has Bulgaria benefited? The answer will be available in another 30 years, when these millions will either be extracted from the Libyan desert or will not.

The amount of Bulgarian money buried in Nigeria is much smaller. What matters, however, is not a question of amounts but of work style, which should be one and the same for major and minor projects.

Let us look at the Nigerian KSIP-Kano project. It is a 10-story-high office building, the construction of which was started at the beginning of the 1980's. The completion deadline was 1 July 1985. To this day, however, the end is not in sight, not even in the opinion of Eng. Dzhermanov, who does not suffer from a lack of optimism. The reason for this was the financial assistance given to the Nigerians. They are not paying us, and we are not building, and everything is as it should be, particularly if we ignore the fact that, in 1989, the project was audited. The audit, which covered the period 1 January 1983 to 30 May 1989, indicated that the reason for which the KSIP-Kano project was not being paid is not that simple.

In the 52 days they spent in Nigeria, financial auditors Ten'о Andreev and Kiril Rusinov and internal departmental financial controller of TES Elena Zlatareva came across some curious facts.

One of them was that Simeon Simeonov, the head of the project, and his successor, Emil Nedyalkov, allowed the sale of construction materials, spare parts, bags of cement, concrete blocks, and so forth to foreign citizens. The sales were conducted in private, without the presence of a commission. In general, no receipts were issued, or else three different receipts were issued for the same item. The accounting was in desperate condition. (Here is an amusing illustration: Sows and their offspring at the hog farm of the project did not need to be accounted for.) The chief of the Bulgarian warehouse was a Nigerian. Another Nigerian, a cashier, stole 13,789 naira from the cash register. By 31 May 1989, the project owed 1,945,579 naira. It would be interesting to know the current amount.

At that time, Danko Dankov was chief accountant at the KSIP-Kano project. After seeing the results of the audit, he became so distraught that he provided the following explanation:

"I arrived at the Kano site on 3 January 1987. The previous accountant had left on 25 September 1986.... There was a stack of unfilled documents.... I found a high turnover of personnel at the project.... I was the fourth consecutive accountant.... I immediately realized that the sum of 13,789 naira, appropriated by the first cashier of the project, the Nigerian Abubakar, with the direct assistance of the first accountant of the project, Todor Daskalov, who, under the pretext of being sick, returned to Bulgaria, had been officially classified as 'unrecoverable.' A case was officially filed in court. The trial took more than five years, and the delays alone in trying the case cost \$18,000.... Someone was interested in treating the matter lightly....

"By an order issued in Sofia, the salary of a Bulgarian specialist at the project is about 500 foreign exchange leva, but, on one condition: that this money be saved and returned to Bulgaria.... A Bulgarian specialist works in Nigeria for a piece of bread daily, and the chief of the project and the chief accountant, for one and a half pieces of bread.... Emil Nedyalkov, the head of the project, does not speak a single word of English. Because of a Bulgarian mistake, the windows turned out to be 15 cm wider than required, for which we had to pay a penalty in excess of 500,000 naira (at the rate of seven naira to the dollar).

"Keeping records is the direct responsibility of the cashier-warehouse keeper, who has 30 years' experience as a house painter and who does not miss an opportunity to proclaim his ties to the association. This person (Chavdar Dankov) had never come near a typewriter in his life and had seen a cash register only on the days when he went to receive his salary. Without knowing a single word of English, he was made 'cashier, supplier, and warehouse manager' of the canteen. He keeps the key to the cash register, gives himself salary advances, and shops for food on the market...."

This unfortunate KSIP-Kano project in Nigeria shows that TES is neglecting two things: precise accountability and good training. However, it has omnipotent connections. It was with the help of such connections that one could start as a supplier and end one's career as director of the branch in Lagos, as in the case of Aleksandur Ilchev. He knew how to welcome, feed, and offer gifts to important Bulgarian guests visiting Nigeria. That is why his Nigerian idyll was left undisturbed for nearly 20 years. (Aleksandur Ilchev has virtually not visited Bulgaria since 1972. This did not prevent his friends from describing him as "extremely needy" and, although he was unmarried, of providing him with an apartment that would be the envy of many a big family.) It was only six months ago that Ilchev left the TES shelter and joined the private company headed by the Nigerian Sule Katagum.

However, Sule Katagum is by no means the only one who has dipped his fingers in the TES honey. Also sweetened was the life of the governor of the State of Bauchi in Nigeria. He was presented with table settings for six, with gold-plated rims, and silver utensils to match that were purchased in France with money "for representative purposes" or "good services." These are funds that are not strictly supervised or accounted for, or, in other words, there are always ways of procuring them.

However, there was a coup d'etat in Nigeria, and the governor relieved TES of the need to earn his benevolence with an expensive French table setting, for which reason the setting was stored in the warehouse of the association in Poduyane, from where, shortly afterwards, one of the sets, costing 13,274 francs, disappeared. TES fired the warehouse manager and thus ended the investigation. Today, the prosecutor is the only one who could establish who is using French silverware that was to be presented to the governor of Bauchi.

Otherwise, TES is a powerful organization that is strictly meeting its foreign exchange obligations to the state. However, this includes the wages of the construction workers, which they sometimes fail to receive for two or three years and are forced to make moonshine, steal, or engage in all sorts of other activities. They lose their dignity but earn foreign exchange, which Mr. Dzhermanov and his organization are forcing them to save, in full, so that he can settle his accounts with the state and obtain funds.

Let us pay our respects to Mr. Dzhermanov. Even if the state were to go bankrupt, he would not fail. Furthermore, he would continue to do good deeds, such as feed, free of charge, Bulgarian workers abroad, grant foreign exchange for medical needs in Bulgaria, and butter up Ludzhev in the same way that he buttered up Grigor Stoichkov in the past. He would crush like cockroaches those who oppose him (as, in the past, he crushed Evstati Evstatiev, Elena Zlatareva, Severin Popov, and Nikolay Dobriyanov). He can continue to surround himself with people with no opinions on anything, such as his deputy Nenov, and, nonetheless, when the time of his retirement comes around, TES will die because there is no one to replace him. "Under such dirty shade only rot can grow," said one of his opponents, who wished to remain anonymous. A future audit will establish whether he was right.

Not that there have been no audits in the past. Auditors were sent by the Ministry of Finance to the construction projects in Libya, Nigeria, and elsewhere. However, each audit ended in the same way: everything okay. Evil tongues explain this unanimity in terms of hundred-dollar bills paid privately, and expensive gifts from the endless fund for representative needs: whiskey, calculators, jewelry, airplane tickets—enough to have a poor Bulgarian auditor shut his eyes and reject suspicions that TES construction is substandard, slow, and wasteful; that it prefers loyal to good specialists; that it is stealing

from the workers and engaged in questionable deals in real estate in Germany, Zimbabwe, Nigeria, and elsewhere; that Eng. Dzhermanov, the general director, has surrounded himself with yes-men and is throwing out anyone who dares to oppose him; that he makes deals at unsuitable prices and harms Bulgaria for the sake of "settling his own people." Before 10 November, this involved sinecures abroad for people lacking the necessary skills; after 10 November, it has involved questionable companies abroad.

We have a new president, a new prime minister, and a new minister of finance. We suggest to them that they start a new audit of TES, which would include, in addition to experts, journalists, trade unionists, representatives of Civic Initiative, parliament members, and others who have an official interest in this. Naturally, they would pay their own expenses. The representative of 168 CHASA is ready to pay for his own trip to Libya or Nigeria to determine whether there is some truth to the various rumors concerning TES, rumors that are making the rounds in Sofia.

CZECHOSLOVAKIA

Management Hampering Reform; Investors Criticized

91CH0510A Prague HOSPODARSKE NOVINY
in Czech 14 Mar 91 p 1

[Article by Petr Ehrlich: "How To Kill a Business"]

[Text] "It will all work out somehow, it always does," is a comment we are hearing more and more frequently from more and more people in more and more of our enterprises. In conjunction with this, one learns that no one has any interest at all in the stocks of more and more enterprises involved in large privatization. You don't believe me? Let's take a short excursion to three of these firms.

First Stop

One of the large machine-building firms in the south of our republic. The enterprise director gave the factories, each of which employs roughly 1,000 people, relatively broad authority. Most of the factories are reevaluating their production programs, searching for foreign partners, and are beginning to cooperate quite effectively with these partners. The factories require only minimal involvement from the general directorate, but breaking away completely and becoming independent is impossible. In spite of this, the general directorate employs about 600 people, and has several divisions that are not only rendered unnecessary by a transition to a market economy, but which are actively working against the transition. Complaints of the factory managers about the overgrown directorate continue to be ignored.

Second Stop

We stay in the south and take a look at a textile plant. The clattering can be heard through several of the many floors of the enterprise administrative building. The domestic market, in conjunction with small privatization, is falling apart, we are marking time with our Soviet partner, and the one third of production designated for export can scarcely feed most of the employees. The employees threaten to strike, then later even begin demonstration strikes against layoffs. The enterprise management backs the employees and categorically refuses to make layoffs. The clatter heard through several floors of the administration building continues.

Third Stop

Now we are visiting one of our largest chemical plants. The firm should be completing a multibillion koruna capital investment project. But the end is far from near. Nevertheless, approximately 150 people are involved in the management of this unfinished plant, more than 20 people are on the payroll for maintenance, etc. Potential foreign partners first shake their heads in disbelief, then quickly leave the gates of the enterprise. One of these, a well known North American firm even stated that to make this chemical plant operate efficiently it would be necessary to lay off 1,500 people, about one third of the work force. The director nevertheless remains optimistic, and explains why on the factory public address system and in the enterprise newsletter. And the lord's deputies? They are either hurrying themselves, or sending their secretaries to the front of the administration building, where an entrepreneur has stopped to sell fresh-frozen chicken. In fact, dozens of office workers alternate places in the line for this chicken.

I could of course go on. I have visited more than 20 enterprises since the beginning of the year, and with two or three exceptions have seen repeats of one or more of the above situations. In conclusion, therefore I would rather give the floor to a well known national economist who, for obvious reasons, does not want to be named: "Declines in industrial production may reach 20 to 30 percent by next year, unemployment may reach one million people, one third of our population may find itself at the edge of poverty." I might add that this person knows the current performance of our firms, and I have been learning just how they attain these performance results.

Central Bank Chief Positive on Economic Reform

AU0905081691 Bratislava PRAVDA in Slovak
4 May 91 p 3

[Report by Elena Klimesova on press briefing held by Josef Tosovsky, chairman of the CSFR State Bank, in Bratislava on 2 May: "Hunger for Money Is Increasing"]

[Excerpts] On Thursday evening, Josef Tosovsky, chairman of the Czechoslovak State Bank, handed over to representatives of the People's Bank a license to

establish this financial institution in Bratislava. On this occasion, he met with journalists at a press briefing. We have selected the following extracts from it. [passage omitted]

First Quarter's Balance

"As far as our economy's development is concerned, everyone has his own expectations. According to our analysis, the Czechoslovak State Bank's expectations have, for the most part, been fulfilled in the first quarter. The decline in industrial production was slightly larger than we expected, especially in March (it fell by 11 percent for the whole quarter). We estimated that during this year national income will decline by 10 percent; the government forecast talks about a five percent decline. That is, we are on the more pessimistic side. However, one should not overestimate the figures for the first quarter as they are a little deceptive. For example, retail turnover was 35 percent lower, but direct sales from the manufacturer were not recorded. Similarly, the statistics do not mention development in the private sector. The new trends are not, so far, being recorded in the statistics and if someone looks at the figures through old eyes, he will certainly hold his head in his hands on account of how bad the situation is.

"The figures on development in the monetary sphere during the first quarter are encouraging. The situation is, we hope, coming under control. Following a sharp increase in prices, especially in January, we are now close to overall stability. Another positive phenomenon is the fact that we have managed to maintain a stable exchange rate for the koruna. At the same time, no one trusted the central bank; devaluation was expected several times. However, I can state that we never promise anything we cannot fulfill! In the coming weeks and months (as far as we are aware) it will not be necessary to change the koruna's exchange rate. The balance of payments and the CSFR's indebtedness are also, in essence, better than we thought they would be. We expected a massive assault on imports and we estimated a balance of payments deficit of \$900 million. I do not have the exact figures with me, but the first details indicate that it will only be \$300 million. These pleasant trends in the monetary sphere should become the basis for healthy economic development in the future."

Polemics With the Other Side

"As far as opinions about economic reform from the opposition are concerned, it is difficult to polemicize with figures that cannot prove anything at all. A certain scenario was set up, an element of which was the koruna's convertibility. This could not begin with its revaluation as, for example, Mr. Komarek thinks. If we were to do this, we would maintain convertibility for 14 days and then we would have to halt it because our foreign currency reserves would be completely exhausted. When someone talks about revaluation, he has in mind a completely different economic system.

Because we devalued in advance, we were able to stabilize the koruna's exchange rate and also anchor the domestic price level a little. We avoided further devaluation and unleashing an inflationary spiral. As far as the exchange rate level is concerned, I think that we were right on target. Moreover, we managed to unite all the exchange rates into one. The koruna still had no value on the black market in Austria last year, while at the beginning of this year the difference between the official rate and the black market rate in Vienna was 10-15 percent and in recent weeks it is only one to three percent. This means that the black market has almost disappeared. Is this not a success? The fact that no one has to decide who will receive or not receive foreign currency is also a success. Can the effects of this system be enumerated at all? We think it has great advantages. There were also many attacks in the government when we introduced tourist exchange rates. Just look today at last year's growth in retail turnover. Our people bought a great deal for themselves and there were many tourists here; turnover increased by only 10 percent. Reports about handing over our property to foreigners are also just merely groundless speculation!"

Industry Petition for Protection Criticized

91CH0510B Prague HOSPODARSKE NOVINY
in Czech 22 Mar 91 p 8

[Article by Eng. Vladimir Novotny, director of the Financial Policy and Analysis Division of the Federal Ministry of Finance: "Do Not Confuse Effects With Causes"]

[Text] The petition by the unions of industry of the Czech Republic [CR] and the Slovak Republic [SR] published in HOSPODARSKE NOVINY on 26 February contains not only an evaluation of the current state of industry, but also an ultimatum requesting, actually demanding, that the government resolve the issue. Unfortunately the petition tells us nothing about how enterprise managers are reacting and will react to this "threatening situation" or how they plan to deal with it with their own resources.

Industry Unions' View of Causes of Current Situation

The description of the situation confuses causes with effects. Restrictive financial and monetary policy is named as the main villain. These policies, however, are a necessary precondition if the economy is to rid itself of the deformations caused by the long term absences of a market mechanism. Because this policy is intended to cure a disease caused by many enterprises producing something for which there was and continues to be no demand, and produced these items at high cost, one gets the impression that the cure itself caused the disease.

A restrictive macroeconomic policy is one of the fundamental pillars of economic reform. Because of the need to deregulate prices the main short term threat to reform is inflation. Therefore, in pursuing the short and medium term government macroeconomic goals priority

must be given to blocking inflationary processes, preventing the start of an inflationary spiral. The public has been informed of these objectives and priorities for more than a year now, and they have been incorporated in government program declarations, national budgets and in the principles of currency policy.

Complaints at the blanket nature of the restrictions are a misunderstanding. This policy can only be implemented as an across the board measure, because it is macroeconomic in character. The contention that the policy will also destroy good and promising enterprises is groundless. Given the significant differences in performance among enterprises, the only issue is where to divide the poor firms from the good ones. We still do not have a bankruptcy law which would enable us to liquidate the most seriously insolvent firms and allow us to break out of the vicious circle of insolvency.

Financial Policy and Financial Situation in Enterprise Sphere

We are equally convinced that the criticism of the "poorly thought out" scope of the restrictions is not correct. In 1990 and the first two months of 1991 financial policy was much less restrictive than enterprises maintain. It was even less restrictive than originally planned. Government budget surpluses for 1990 fell far short of the planned 5.4 billion Czech korunas [Kcs]. In the first months of 1991 the postponement of the elimination of price subsidies for fuels, energy, and heat caused the government budget to evolve more poorly than it should.

The following table provides information on the relationship between the financial situation of businesses and financial policy. (Data are in billions of korunas.)

	1989	1990	Index (in Percent)
Profit formation	117.9	123.6	104.9
Transfers from profits	78.5	79.1	100.8
Depreciation	71.3	73.3	102.8
Transfers from depreciation	4.8	0.2	4.2
Available profits and depreciation	105.9	117.6	111.0

Internal resources available to enterprises in 1990 increased by Kcs11.7 billion, or by 11 percent, compared with 1989. This resulted from increased profits and depreciation, while transfers from profits remained basically the same and transfers of depreciation were almost eliminated.

Also affecting available resources were subsidies that did not affect profits, such as subsidies for investment, for profit distribution, and for funds. The level of these subsidies decreased from 1989 levels by Kcs2.3 billion, or by almost 15 percent (from Kcs16.1 to Kcs13.8 billion). Limitations on these subsidies reduced available

resource growth from 11 to 7.7 percent. It can therefore be stated (especially with regard to declines in production), that available resources increased rather significantly.

Restrictive financial policy had an impact only on subsidies, while transfers to government budgets expanded "opportunities" to create internally available resources.

This implies that government budgets acted neither restrictively nor expansively, but neutrally with regard to business.

Critical resource uses increased faster than available resources. Preliminary data indicates that inventories increased by a factor of almost four compared with the prior year, and that investment expenditures increased by about 13 percent.

This indicates that in 1990 the main reason for unfavorable financial performance was not a reduction in the financial base of firms, but in excessive increases in inventories and investment.

Monetary policy was more strict, if we measure its impact by the increase in volume of loans to the economy both for 1990 (an increase of Kcs8.5 billion, or 1.5 percent) and for January and February 1991. This was motivated by a desire of the central bank to brake a dangerous increase in inflation. Clearly the natural behavior of commercial banks played a role here. These banks began to fear for their own future financial situation, and thus became very cautious in granting loans to businesses whose future they regard as uncertain. In recent weeks the level of monetary and credit restrictions was lifted somewhat.

Basic Reasons for Difficult Financial Situation of Czechoslovak Enterprises

—The unexpectedly rapid loss of foreign markets and the resultant crisis for our exporters. The disintegration of the CEMA market, made possible by the change to accounting in hard currencies at the start of this year, is being fully felt. Possibilities have become much worse for selling our products (which are not always of the highest quality) on CEMA markets, and the loss of these markets has not been compensated for by improved possibilities anywhere else. This "export crisis" has no precedent in either its depth or scope in recent Czechoslovak history.

—A significant marketing barrier that has been formed on the domestic market, sharp price increases, and in part, but certainly as well, prior stocking up by the general public has reduced the physical volume of retail sales. Investment activity is declining. Restrictions on public expenditures is causing public sector orders to remain steady or to decline. Enterprises make this situation worse by their behavior, allowing themselves to founder in price shocks, and only slowly reacting by changing the volume and structure of what they offer.

—The long standing inefficiency of Czechoslovak enterprises, and therefore of the entire economy. An "antirestrictive" policy cannot resolve the significant loss of foreign markets. The reverse is rather true. Nor can such a policy help when firms understand price deregulation as a go ahead to increase their own prices to reap some windfall profits. The less restrictive macroeconomic policy, the easier such opportunistic price increases become. In the final analysis such increases will be turned against their practitioners. "Pumping" money into the economy previously allowed us to hide everything, and can scarcely help us to correct the problems today.

Other Thoughts in the Petition

Other contentions in the petition deserve comment. To interpret the sharp increase in unemployment as a result of enterprise insolvency is to turn the causal relationship upside down. The reverse is true: many enterprises maintain employment levels even though this makes them less and less able to pay their bills.

Nor can credit restrictions and insolvency be considered as the reason for the reduced export capability of our firms or for the "significant slowing in their development."

The accusation that a goal of the government's economic policy is to "intentionally" create a crisis through a deep lack of demand, is incorrect. It shows a complete misunderstanding of the initial state of the economy and the objectives of economic reform.

We have saved the most dangerous idea in the unions of industry petition for last. This relates to the "absence of the government in the formation of specific national economic goals and the clear definition of the role of enterprises in reaching those goals." This amounts to asking the government to do that which has historically been the main reason for the failure of a centrally planned economy. We cannot save our industry by implementing what we know (based on 40 years of experience) does not work.

Measures Proposed by Unions of Industry

The first set of measures is to be implemented, across the board, as soon as possible. They apply, for instance, to the problem of permanent inventories. This problem was resolved early in March, at the initiative of the Federal Ministry of Finance. Approximately Kcs100 million of the debt of the enterprise, or about 30 percent of its operating loans, was renegotiated at a lower interest rate and with a longer term.

The petition demands the immediate granting of loans for receivables up to the payment term, even though no one has ever denied this principle and even though

commercial banks decide who to make loans to and who is not a good risk. The petition also demands allowing in-progress invoicing of individual deliveries for large turn key projects. The revised commercial code, among other things, eliminated the FMF decree on invoicing and payments for capital investment deliveries. Section 375 of the Commercial Code implies that payment terms and allowing progress payments are completely dependent on the agreement of the contracting organizations. Likewise, it is not possible to resolve globally the insolvency of the foreign trade organizations [PZO]. It would only be possible to expand opportunities for making loans into the economy by increasing the credit limit of the Czechoslovak Commercial Bank and to allow the government budget to participate in compensating for exchange rate differences resulting from devaluation.

The second set of measures involves getting individual enterprises out of debt. This is a very complex operation. The main problem is deciding which resources to use to accomplish it. This is especially difficult currently when the economy is "resource poor", which is especially true of government budgets. We cannot afford to use government budgets to get enterprises out of debt at the price of reducing expenditures in the nonproduction sphere, particularly on health care, education, and social security. Implementing economic reform places great demands on budgetary expenditures of a social character. Nor can we afford to get firms out of debt by issuing inflationary money into the economy. This would mean sacrificing the objective of fighting inflation to the specific interest of firms to get out of debt. In any event we must differentiate between factors that result from conscious political decisions by governments (Iraq) and factors that result from developments beyond the control of our government. Only in the first instance can we even consider government participation in resolving financial problems (and we are doing so), within the constraints of financial capabilities.

CSFR Government Resolution No. 60/1991 approved measures to deal with the economic consequences of the blockade of Iraq. Rules were developed for measuring losses incurred by manufacturers and foreign trade organizations from the declaration of an embargo against Iraq and Kuwait. The means of compensation for lost property will become clearer once we evaluate the submitted claims. The fate of individual claims can be decided, however, only after relations have been normalized with both countries.

Last year saw German unification, the disintegration of the CEMA and the loss of the USSR market. The government cannot create these markets again or guarantee sales of our products (and we emphasize that the softness of these markets suited our enterprises). The demand that firms be "rescued" from their unsalable inventories of export goods has nothing in common with the logic of reform.

The government budget for the federation allocated Kcs1.2 billion in both 1990 and 1991 for the conversion

of the armaments industry. The central sphere has been and will continue to participate in moderating the financial consequences of this conversion.

We clearly need to turn around the ecological catastrophe, but this has nothing to do with the short term financial situation of enterprises. The government budgets for 1991 will support two forms of ecological investments: paying interest on ecological loans and providing individual investment subsidies.

Finally, the third block of demands are legislative in character and demand the drafting and issuing of these documents:

- A transformation and restitution law (which was passed at the end of February).
- A draft law on bankruptcy and enterprise liquidation, which has been written and is in the commenting phase.
- A new tax law that will be discussed in the Federal Assembly this year. The new tax system will be activated by the beginning of 1993. To think that it can be done any sooner is utopian. Intensive work is being done on the concept of a tax system and its fundamentals exist. A number of tax laws have already been updated.

Some of the demands in the petition cannot be acted upon, in my opinion, for reasons of principle.

We cannot promise regulations that establish "objective criteria for supporting businesses that have a chance to be successful." It is illusory to think that we can legislate the evaluation of the potential success of businesses.

Also complicated is the question of accelerating access of foreign capital to the Czechoslovak economy. We consider the transformation law to be the fundamental law that will enable a more rapid influx of foreign capital. The objective of central agencies is to eliminate all legislative barriers by revising existing laws or passing new ones (the Commercial Code, etc.). At the Federation and Republic levels government offices have been set up to support foreign investment.

In conclusion the petition demands "for the current transitional phase" the implementation of a number of "economic mechanisms." A number of these requests are also off the mark. How for instance are we to select sectors in need of "temporary customs protection"? A proexport policy—the government has already taken as many proexport measures as it can—by devaluing the Czechoslovak koruna. It is not proper to consider government orders as something specific for a transitional period: A government order cannot be a government "directive" but an opportunity for businesses (based on competitive bids) to win orders and sales. It is impossible to promise subsidies to selected promising businesses. This would result in a situation where companies try to convince the government they are promising because this will be easier than to convince a market or

a bank of this. In addition, government subsidies are more advantageous than bank loans.

Conclusion

The current problems of the enterprise sphere cannot be solved by declarations, petitions, or even by pressure tactics against government organizations. The only way to solve them is to analyze the problem and its causes, then implement measures, and I emphasize, which are in line with our objective to transform the economy from a centrally planned to a market base. Respecting both these aspects of a solution to every economic problem sets the groundwork for establishing that which has to be resolved by individual enterprises and that which must be handled by central agencies.

POLAND

French Institute Offers Management Training

91EP0438A Paris LE MONDE in French 3 Apr 91 p 26

[Article by Michel Noblecourt: "Polish Personnel Attend Management School"]

[Text] The French Management Institute [IFG], which has opened a subsidiary in Warsaw, has already taught management techniques to 200 trainees....

Originally a physicist, and an engineer by training, Michel Muszynski is a passionate communicator when the subject is Poland. "Giving money accomplishes nothing," he says. "It's much better to help people learn." Muszynski, currently director of Polish programs at the IFG and former head of a small computer company, has been working hard at his new job. On 1 October 1990, IFG opened its Polish branch, IFG-Poland, which provides one- to four-week training courses to Polish personnel.

It all started when the France-Poland Association, created and supported by the French Government as part of its aid package, called for bids to handle the 100-percent government-financed training of 750 managers over a two-year period.¹ The IFG, which promised to remain on the scene after 1992, prevailed over the other competitors in the field. And the regional council of Ile-de-France [Paris region] provided additional financial support. Of course, this is all a drop in the bucket in comparison with the country's enormous needs: Poland has 750,000 management personnel.

Nevertheless, the initiative also helps France improve its position, since at present it is only Poland's 10th largest trading partner. "After the war," says Muszynski, "65 percent of the Polish intelligentsia spoke French; now the figure is down to 5 percent." In a country racked by radical economic reform, the IFG is trying to teach the principles of market economics to managers aged 30 to 40 who have been educated under Communism. Muszynski notes confidently, however, that "market

economics is a concept with which they are somewhat familiar; they have heard it talked about."

The Polish managers who enrol for 12-day management training courses (in groups of 16 students) do so as individuals; they are not sent by their companies. They pay a modest fee to cover the cost of meals, and 30 percent of them use annual leave to take the training. Starting out, their first test is to fill in a 30-point questionnaire concerning their education, career, and language capabilities. They are asked to describe what works well and what works poorly in their company, to list their "three most important professional successes," and to indicate what position they think they will hold in another two years.

Made to Order

Two panels cull the initial candidate list, before a third—composed of two Polish officials, one IFG official, and a representative of the French Embassy—makes the final selections. "We have received 3,000 enrollment applications," explains Muszynski, "which is 25 times the number of places we have available." Successful applicants come from all walks of life except agriculture, have some higher education, and have at least three years of professional experience. Only 20 percent of the candidates are women.

Located on the premises of the 2,000-square-meter French Training and Information Center (CEFFIC) attached to the French Embassy, IFG-Poland offers training "made to order," with a team of 10 Polish-born trainers, well informed about the country's economic realities, to teach the courses in the students' native language. The first objective is to "familiarize Polish managers with the tools of the market, an indispensable foundation for more advanced training in management and marketing." For example, the course called "introduction to business" explains about companies and their objectives, supply and demand, marketing, cash flow management, the stock exchange, capital, work systematization... Twelve days of basic training.

IFG has several roomfuls of computers and makes extensive use of them in its classes. According to Muszynski, "we utilize software programs to analyze financial profitability, simulate stock market activity, and organize company marketing strategy. We also use computer systems to evaluate and improve management skills." Competition between companies is much applauded, and the first results are encouraging: Since last October, 200 students have been trained—50 percent of them already have their own companies, and 10 percent have changed companies. Another 750, perhaps even 1,000, should get training between now and the end of 1992. Close to a hundred may eventually become trainers themselves.

Michel Muszynski recognizes, however, that 12 days is "not enough" for training purposes. So ways must be found to extend the period. In February, an association was established for individuals who want to continue

working and to study with French companies. Three-fourths of the group are former students.

IFG, which also provides training for managers in Moscow, is already preparing for the post-1992 period by signing contracts with companies that would be prepared to pay for their Polish managers to take classes. Starting in early April, some Polish managers will participate in two and a half days of classes in human resources management, paying for the course themselves. General manager Jean-Francois de Zitter hopes to broaden IFG's base "to new types of public and private sector clients, including French companies established in Poland." The institute has already provided consultative and job-interview services, in some instances to subsidiaries of French companies. And, as a follow-up to their schooling, the two trainees funded by the Ile-de-France region will spend three weeks with French companies. A promising start.

Footnote

1. The France-Poland Foundation has earmarked 7 million francs to train 750 personnel between now and 1992.

YUGOSLAVIA

Plans To Expand Economic Cooperation With Japan

91BA0563B Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 1 Apr 91 pp 20-21

[Interview with Minato Miyajima, director of the Japan External Trade Organization Center in Belgrade, by S. Bogdanovic; place and date not given: "Yugoslavia-Japan: Two Worlds"]

[Text] The Japanese Foreign Trade Organization known by the abbreviation JETRO (Japan External Trade Organization) was established on 25 July 1958 under the sponsorship of the Japanese Government, more accurately, its Ministry of Foreign Trade and Industry, as a nonprofit institution and a kind of information center which will provide the necessary information for development of bilateral economic ties, but will not conclude business arrangements on behalf of firms.

The JETRO Center in Belgrade has been in existence for 29 years now, and is one of the 78 offices operating in 57 countries of the world. Mr. Minato Miyajima, director of the JETRO Center in Belgrade, has held that position for one and a half years.

[Bogdanovic] How do you assess economic cooperation between Yugoslavia and Japan?

[Miyajima] Some reflection should be given to the fact that Yugoslav exports to Japan last year were worth \$40 million, and Japanese exports to Yugoslavia \$400 million, that is, tenfold greater. So, the figures on foreign trade themselves show that there are certain problems in

economic cooperation between Yugoslavia and Japan. This can also be illustrated by the structure of economic trade. Japan is mostly exporting automobiles and electronic products to Yugoslavia, and it is mostly importing production supplies, unfortunately. The differences are obviously immense.

[Bogdanovic] Are they also the main reason for insufficient economic cooperation between the two countries and the very small number of contracts concerning joint ventures and joint business operation that have been recently concluded?

[Miyajima] Certainly. Last year only two arrangements were carried out concerning joint ventures between Japanese and Yugoslav firms. These were the joint projects of Honda and "Mio-standard" of Osijek concerning production of small agricultural machines and generators, and the contract between the firm "Kane-matsu-Gosho" and the cotton combine in Vranje, which was in the textile industry. Actually, this has to do with cooperation over many years which the new contract merely extended and innovated in certain domains. It is true that we anticipated some new arrangements, but they were not realized. One of the reasons for that failure is the total oppositeness of the two technologies, the two industries, one of which, the Japanese, is very highly developed. Talks were held between firms manufacturing power plants and producing cement, building materials, and aluminum. I feel that it is very difficult in the mutual context to agree on all the details on which the Japanese are insisting. The textile industry and tourism, which for us are "traditional," remain the most attractive.

[Bogdanovic] Do you have any suggestion about the direction in which further cooperation should develop, for instance, about those areas in which the Japanese are interested?

[Miyajima] I think that the Yugoslav side is still not able to invest in those facilities which could meet the needs of Japanese tourists and the business world, for example. You are probably interested in a still greater number of foreign tourists, including Japanese tourists, for whom Yugoslavia is extremely attractive. One of the good ways of developing tourist connections would be for Yugoslav and Japanese firms to build the necessary tourist facilities using Japanese specialists and technology. Why not hotels on your coast that would be the fruit of such cooperation? This would offer occasion for joint effort not only by builders and designers, but also those who furnish hotels, equip them, and supply them. That would be a green light for certain other types of cooperation because a larger number of Japanese businessmen would come to the hotels which the Japanese designed.

[Bogdanovic] What is JETRO doing specifically to expand economic cooperation between Yugoslavia and Japan?

[Miyajima] JETRO's activity has already stabilized; every year it organizes seminars and presentations on

achievements and innovations in the Japanese economy in the largest Yugoslav cities. Last year we held several seminars in Belgrade, Zagreb, Ljubljana, and Sarajevo concerning consulting, quality control, the wood products industry, and furniture industry. Next month these subjects will be discussed at meetings in Belgrade and Zagreb. We expect that Skopje and Titograd will also show an interest in our activities. JETRO has also provided Yugoslav firms access to the large fair in Tokyo that will be held this October and will last two months. JETRO Belgrade will be the sponsor of the presentation of all the firms from Yugoslavia; it will be financing transportation, arrangement of about 200 square meters of exhibit space, and it will see to the complete presentation and promotion of the Yugoslav economy. We expect a large number of your firms and business people to take part, realizing that this fair is an opportunity to "launch" their products on the Japanese market. At the same time, Japanese businessmen would like to see as many finished products as possible of Yugoslav firms at this review so as to moderate in part the country's "image" as a source of production supplies.

[Bogdanovic] What reproaches do you have of Yugoslav business executives? Do they commit any impermissible errors in your opinion?

[Miyajima] It is understandable that Yugoslav business executives expect from JETRO quite a bit of information about opportunities for cooperation and above all about exports to Japan. But I think that when they get some of the information, they must show more interest and agility in carrying the thing through. I would even dare to say that they need to devote much more study to the Japanese market, Japanese companies, Japanese businessmen, but also the profile of Japanese consumers and consumer habits. That is probably why "SONY" last year organized a short seminar here on quality control, marketing, and management. And then JETRO intends to do something about the near future concerning the transfer of know-how to Yugoslavia. One can also obtain here information about all forms of cooperation with Japanese firms, as well as about legal regulation, the statutes governing foreign trade transactions. However, many people do not know this and identify us with certain firms that can conclude specific transactions. We mainly provide information. It is interesting that we have in a way specialized in cooperating with small and medium-sized enterprises in Japan because the large corporations already have their own network of representatives and communications all over the world; it functions very well and so we do not have to worry about that. We are actually here for all those who need us!

Appropriation of Croatian Firms by Serbia Scored
91BA0563A Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 1 Apr 91 pp 16-17

[Article by Vesna Djordjevic: "Requisition of Croatian Property in Serbia"]

[Text] Following the protectionist measures, the shutting of doors to the outside world, and the attack on the country's monetary system, Serbia has pulled another card from its sleeve: the alienation of Croatian business property. This criminal act, never before recorded in the business courts, has been cordially welcomed by those courts, which, referring to the nonexistent law on associated labor, have been approving the registrations of new firms which "have sprung up" on the confiscated property as soon as they definitively declare themselves to be blind hangers-on of their republic government. What is this actually all about?

The virtual epidemic of confiscation of Croatian property located on the territory of Serbia began with the first secession of INA's gasoline stations in Belgrade. Only those who were naive could believe that that act was an exhibitionist ploy "on the other side of the law" on which the last word would be said by a favorable and final court verdict. Because, once the ice was broken, the secession of INA's [Petroleum Refining and Sales Enterprise] stations in the capital of Serbia was followed by a quite recent epilogue. In the second round, as we already know, the remaining 180 or so INA business establishments in Serbia (except Kosovo) separated from the parent collective; that act made the petroleum giant of Zagreb "lighter" by \$150 million.

In his explanation of the background of this affair in the business world that has a smell of politics, Nikica Valentic, acting INA general director, says that when the first referendum was held on separation of their outlets in Serbia from the parent enterprise he was in personal contact with Stanko Radmilovic, at that time Serbian prime minister, who guaranteed him that all the remedies of a law-governed state would be applied to that nonsense. Valentic explains that on that occasion Mr. Radmilovic also promised him that everything would be done to schedule as soon as possible the trial concerning the suit filed by their collective and he asserted most definitely that neither the Serbian Government nor the petroleum enterprises from that republic were behind the alienation of INA property in Serbia. When they were left with hardly any of the property which they had possessed, the people at INA realized that they had been listening only to "friendly" assurances and empty assurances and empty promises. Following the judgment of the First Economic Court of Serbia, which confirmed the decisions in the first instance to register the enterprise INA-Beograd, they lost once and for all—they say in that collective—the last hope in the authority of a law-governed state. The only thing left to their disposition was to protect themselves against new losses on the territory of Serbia.

"I would be personally responsible for further loss INA suffered if after what has happened," Valentic explained. "I honored any promises, indeed even from very upright and honest people from components of our enterprise in Serbia with whom we have collaborated for years. So, in order to protect our own interests, we have immediately halted delivery of petroleum and petroleum products to

those outlets of ours in Serbia, and we have also adopted decisions to the effect that we will no longer accept the gasoline coupons of enterprises in Serbia and personal checks issued by banks in that republic."

Valentic says that they have also discontinued payment of that portion of the gasoline price which is to go for road construction in Serbia, an amount estimated at between 350 and 400 million dinars.

In the opinion of the top man at INA, the loss of the Serbian market will not affect the business operation of this enterprise. He said that they delivered to it only between 7 and 9 percent of their production, and that at a 12-percent lower price than in Croatia, already putting it at the border between profit and loss. When all the dust settles concerning this affair, it will turn out that it is not so simple to supply 180 stations, and for that reason Valentic forecasts that Serbia will very soon be facing gasoline shortages.

The Varazdin textile workers have experienced a similar blow, delivered according to the same scenario. A decision of some 300 employees has separated 51 business unit from the Varteks system in Serbia, jeopardizing almost one-fourth of this collective's total sales. Not counting loss of the business, at Varteks they have estimated that alienation of the business space alone represents at least 50 million German marks, and the goods that happened to be in stores and warehouses at that time represent an additional 11 million German marks. In the Varazdin part of the collective, they still cannot believe that their colleagues in Serbia made such a decision. Franjo Bakliza, director of Varteks-trgovina, said that there was no economic, nor legal, nor even human basis for such a move. Regardless of the severed political ties and economic blockade, they had made a maximum effort, he explains, to constantly maintain normal conditions in commodity stocks over the entire market covered by Varteks. At no point was there any doubt about the payment of personal incomes, which is why Bakliza says that politics is behind all of this, and this, he says, has been confirmed to him by their workers in Serbia, who have been in daily telephone contact, informing them that they did not stand behind the decisions of their employers. Bakliza added in conclusion that the workers' council of Varteks had stopped deliveries of goods to Serbia covering the entire assortment, which, he assumes, will impoverish the market there, and the stores that have separated will have less opportunity to realize profit and pay personal incomes.

Rade Koncar of Zagreb was also made poorer almost "overnight" through the loss of the Belgrade office of its enterprise Koncar-trgovina. The story of how this happened sounds incredible. A joint limited liability enterprise was formed by 17 of Koncar's people in Belgrade, and 2,000 dinars (?) were invested as a dowry in that new enterprise, which was christened Rade Koncar-komerc; the remainder, of course, was the property of Rade Koncar-trgovina, estimated at \$3.5 million, which was separated from the Zagreb parent enterprise by the

simple blessing of a referendum. To be sure, this robbery has been dressed up with the story that the workers made that decision after they learned that 15 of them, out of a total of 17, were threatened with being laid off to make business operation more efficient. However, that kind of drastic "pruning" of employees is commonplace in the Zagreb section of Koncar, which is trying to keep up with economic conditions on the market by laying off workers. There is good reason, then, to put the question of why the employees in its Belgrade section should not share the fate of their colleagues in Croatia?

The example of the Zagreb clothing firm Vesna best confirms the anxiety among the workers in Croatia caused by the wave of unemployment resulting from separation of parts of firms from this republic in Serbia. Vlatko Lozovina, director of the network of outlets of this collective, explained to us that they learned the news about separation of their six sales outlets in Serbia on the television news program.

So far, they have not received any official report to confirm it, but because, as he says, the potential danger is there, they are very restrained in making new deliveries of goods, and they are also thinking of taking back all remaining goods from the previous season.

This dilemma no longer pains those employed in Bagat of Zagreb; the headquarters of that firm has received a neatly addressed decision from the District Economic Court in Belgrade to the effect that the mixed enterprise Beobagat had been formed and had incorporated all the property which that Zadar sewing machine manufacturer possessed in Serbia. Which amounts to 33 stores, 10 training facilities, and three warehouses, with a total value of about 100 million dinars, plus 20 million dinars in finished goods. In answer to the question of what they would do to get their property back after a loss that has made their survival uncertain, Ivo Vodopija, M.A., of Bagat in Zadar says that his collective will fight exclusively with legal weapons. Although, he admits, there have been demands and pressures to respond in kind and for this collective to appropriate the Serbian property located in Zadar, Vodopija went on to explain that they have already filed an objection with the Superior Economic Court in Belgrade and they hope for a favorable decision assuming respect for the Law on Enterprises as the only legal source concerning entry in the court register. Aside from that, he says, they have also asked the Social Accounting Service in Belgrade to block Beobagat's giro account until a decision is made on their objection. The opening of that account, Vodopija explains, put us in an unenviable situation because Bagat in Zadar covers all the obligations for goods in inventories, but all proceeds from sales go to Beobagat. According to him, some of the stores in Serbia have remained loyal to their parent enterprise and have been regularly paying money into the Zadar account, but this probably will not last long because there are indications that pressure is being put on people and they are even being threatened with the police for not carrying out the decisions of the referendum.

Finally, we should also mention Gavrilovic of Petrinja, whose Belgrade component, consistent with the tried and true methods of piracy, has been transformed into Gavrilovic-komerc. Although it is difficult to arrive at any information whatsoever about how much the giant meatpacker in Petrinja lost by this arbitrary decision, we managed to learn that it had been established by 100 workers who in the general euphoria of taking away Croatian property attempted to seize their little piece of the booty.

How does Croatia look on all this? It is evident, at least for the present, that it is successfully resisting the blows and hopes for a favorable outcome of its diplomatic moves. Thus, Vladimir Gudlin, president of the Serbian Economic Court, appealed in an open letter to his counterpart in Serbia that within the limits of their authority they take respective measures to prevent the legalization of unconstitutional seizure of the property rights of the legal titleholder of ownership and property because as an institution they have a duty to protect the law and legal procedure regardless of the level and authority of the usurper or his motives. The other day Dr. Franjo Greguric, Croatian deputy prime minister, held out to the Serbian side a hand of reconciliation, but also the last chance for coming to their senses, in an open letter to Nikola Stanic, Serbian deputy prime minister, in which he expressed the hope that reason would prevail and the desire that in their activity they begin to thaw the frozen economic relations and allow economic entities to operate freely. Nor did Greguric miss the chance on this occasion to issue a reminder that "the government of the Republic of Croatia has appropriate instruments with which it can respond to the threat to its own economic interests, but it would not like to be put in a situation of using them." He proposed in conclusion that all prohibitive measures be suspended and expressed a readiness "to establish economic representative offices in both governments on behalf of greater and more effective promotion of mutual cooperation."

Will economic logic win out over politics? At this moment it is a very thankless task to enter into forecasts of that kind. But note should be taken that in Croatia they are already talking out loud about "an eye for an eye" and about importing that same phenomenon onto the territory of this republic. Vladimir Gudlin himself, president of the Croatian Economic Court, says that he is personally familiar with one attempt to break off Serbian property in Croatia. This had to do with Jugopetrol, but he added that regardless of the referendum, this attempt at alienation of someone else's property was not given the "green light" for registration in that court. It is our position, Gudlin asserts, to stand in the way of all those attempts and to refuse to register such firms so long as current legislative enactments are in force. Be that as it may, both Serbia and Croatia will be feeling the consequences of economic warfare for a long time after the battle-axes have been buried. Incidentally, how can one expect foreign capital to go into any part of the country when, for example, a firm like INA has been forced to

send a letter to some 50 international companies and warn them not to enter into joint ventures with the business outlets of INA-Beograd because this property had been unlawfully seized.

Likewise, foreigners cannot understand the decision of the Croatian Government to resolve the quarrels and economic warfare with Serbia by drastically raising taxes on weekend cottages in Croatia owned by Serbian citizens (1,200 dinars per square meter per year is only one of the new tax rates adopted in order to protect Croatia's economic interests). We should not forget that foreign businessmen never forget the idea of the poor business ethics of a potential partner. This will be felt on their own skin very quickly by both sides, which today obviously are not restraining themselves from the intention of dealing as many low blows as possible to one another.

[Box, p 17]

B.A.: An Eldorado of Lawlessness

As far as we have been able to learn from various sources, some 10 or 12 firms from Croatia are at the moment sharing the destiny of INA in Serbia. Some five or six firms have filed an appeal against the decision in the first instance with the District Economic Court in Belgrade, while the others are gathering information and preparing appeals. Only INA has reached the second instance, the Superior Economic Court of Serbia, which confirmed the decision of the judicial authority in the first instance. The common denominator of all the cases is the legal basis for new registration of these firms: It has been found in the principle, in the possibility, offered it by the present SFRY Constitution, that employees in basic organizational units can decide to separate, to "secede" from more complex organizational forms, organizations of associated labor, for example. That principle was laid down in the Law on Associated Labor, which is no longer in effect. The most recent amendments to the SFRY Constitution, adopted in 1989, largely contradict the basic constitutional arrangements precisely in this area. The Law on the Enterprise, also adopted in 1989, and particularly the Law on Social Capital, adopted later, are based on principles altogether opposite to the basic constitutional arrangements in this area. Legal experts, to be sure, agree that these laws did not sufficiently regulate this part of the subject matter.

If after the appeals the court in the first instance stays by its decisions, and the Superior Economic Court of Serbia confirms them, the firms that consider themselves injured can only appeal to the Constitutional Court of Yugoslavia. Its decisions, however, are not binding on the lower courts. They can only be published in SLUZBENI LIST SFRJ [OFFICIAL GAZETTE OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA]. Zoran Miskovic, secretary of the federal government, made an interesting statement recently to the effect that the republic governments (!) are agreed that

they will respect the decisions of the SFRY Constitutional Court, that is, that each government will respect those decisions—if they are also respected by all the other governments.

We attempted to obtain more detailed information on the specific case and destiny of firms from Croatia in Serbia from the president of the District Economic Court in Belgrade. Because he was busy, he asked that we get back to him next week, which we will do.

This affair has cast the situation in jurisprudence, this time economic jurisprudence and especially in Serbia, into the center of attention of the public, especially in Croatia. However, the situation with bankruptcies, where the statutes are quite equally not applied over the entire space of Yugoslavia, and then the situation with adoption of decisions and executions when the injured parties or appellants are from other republics, demonstrates the relationship between politics and jurisprudence everywhere in the South Slav lands. The more radical the demands of their political context, the further the judicial authorities simply are from the law and justice.

Serbian Vice President on Republic's Economy

91BA0525A Belgrade POLITIKA in Serbo-Croatian
7 Apr 91 pp 7-8

[Interview with Slobodan Prohaska, Serbian Executive Council vice president, by Rodoljub Geric; place and date not given: "Restoration of the Serbian Image"]

[Text] "We have all the preconditions for going forward! We can do it if only we want to!"

That was how Slobodan Prohaska, deputy prime minister of the Republic of Serbia, commented on our question which, to be honest, mostly called or enumeration of all the worst that has been happening to us. A bit later, in answer to the question of "what we can hope for" he would say this: "For me, hope is not a mental state of suspense. I think of it only as a way of getting the thing done, of 'doing the job.'" These pragmatic views, which might truly seem a rarity in this part of the world, are perhaps not so surprising coming from the present Serbian deputy prime minister, who is also responsible for foreign economic relations and for development. Before taking up this post, Slobodan Prohaska spent 10 years in IBM Intertrade and then 12 years in Generaleksport, five of those years as general director of Jugoarab, a Geneks firm on Cyprus, and then deputy general director of Generaleksport. Incidentally, at one time he was also a fairly well-known hockey player for Crvena Zvezda of Belgrade, and at that time, as he says jokingly, he learned a very important thing—how to lose.

Which, of course, does not mean that this Serbian deputy prime minister has neglected thinking about the essence of the thing because of his businessman's pragmatism. On the contrary.

The Facts Say It All

"All of us now, from citizens and workers all the way up to the president of the state, are in an atmosphere to which we are completely unaccustomed, but it is not unfamiliar only to us," Prohaska says. "Something is happening which never happened before anywhere. Social systems, economic systems, are changing, ownership is undergoing transformation. There is no experience in history for this, so that all the recommendations from the West about how we ought to do something represent pure voluntarism."

[Geric] Nevertheless, we note that formulas are coming to us from the advanced countries as to how we should change.

[Prohaska] I do not accept that this is something which others know how to do because no one else has ever undergone this kind of transformation into a new system, no one has ever translated social ownership into private ownership. Perhaps the best illustration might be the case of East Germany, which does have the best preconditions: The two states were at one time one state, that is the same nationality, and West Germany is certainly one of the economically strongest countries in the world. Nevertheless, you see all the things that are happening.

[Geric] Aside from the objective fact that right now we face something completely unknown in the world, can you explain what else is happening to us?

[Prohaska] The last thing I want is to comment on personalities or personify the problems. And there is no need at all for us to blame one another because we are dealing with exact facts.

[Geric] To which facts are you referring?

[Prohaska] We definitely do not need results like this: Last year, the social product declined 7.5 percent and output 11 percent, and the projection for this year sees another 10-percent decline for the social product and 15 percent for output. Should we continue that, we would not exist in five or seven years. Or again, last year the trade deficit reached \$4.7 billion, which is the highest in the last 11 years.

So, we fought for an entire decade to turn the large deficit into something with which we could live and to achieve a surplus in the balance of payments, and we have arrived at this immense trade deficit and a deficit of \$2.5 billion in the balance of payments. The projection for this year envisaged that imports would drop 10.4 percent, which would be fine because last year they grew all of 38 percent, but at the beginning of this year exactly the opposite is happening—in two months, imports have once again increased by over 10 percent. Exports by contrast are sticking right to the plan, they are dropping.

A Program That Disregards Reality

There are too many gloomy figures, but here are just a few more: Two years ago, the influx of foreign exchange in the personal sector was \$1.5 billion, but last year there was a deficit of \$1.4 billion. Gross investments are off 7 percent, the domestic market for capital has not been established, the model of privatization has not taken on life, the financial and banking systems have fallen apart, and today convertibility is no longer even mentioned....

About what kind of a program are we talking then? Is this a program that is "fantastic," "extraordinary," and is receiving every possible support in the rest of the world?

[Geric] Nevertheless, there are those who think that in the process of such a serious transformation, about which you yourself have spoken, there must inevitably be a drop of output and poor economic performance in general and a tightening of belts.

[Prohaska] That is true to some extent, but it is also true that the program which has been devised and which perhaps was at first a good one, no longer corresponds to present reality. It simply has not kept up with what was happening in real life. We have thus arrived at a fairy tale in which everything would be wonderful if it were true. But how can we speak about development when not a dinar has been invested in it, and how can the economy adapt to the competition when it is not raising the level of its production? Would it not have been better if we had taken a few dollars out of the reserves instead of using imports to stimulate domestic industry, and so on?

[Geric] It is well known that serious criticism of the federal government is being voiced in Serbia, although it is also coming in from the other republics, especially recently.... What is the reason for this?

[Prohaska] Like others, Serbia is experiencing the destiny of the Yugoslav context, but because of its economic structure it is having a harder time than those who are more highly developed. Nevertheless, the worst thing in all of this is that an image is being created of us all, and especially of Serbia, which has never been worse than it is now.

[Geric] Do you believe that the loss of an image is the worst thing that could happen to us?

[Prohaska] We are having immense and obvious difficulties in obtaining the customary communication in banking, there are great difficulties with exports and with imports. It has to do with our overall image, political, economic, and financial. And we cannot live apart from the world, we must have ties and cooperation with it.

The Necessary Consensus

[Geric] You have said that the picture of Serbia in the world has deteriorated particularly. Why?

[Prohaska] In part, this arises out of interrepublic relations, but there is also another part for which we ourselves are to blame. The fact that we are constantly on the front pages of the world press because of the negative events, and we have been in those prominent positions on five of the last six weekends, is quite enough for foreign banks and businessmen to turn their backs on us. There is a great crisis of confidence in us on the part of the business world. If we want to do something, then, we simply have to change the image that people have of us!

[Geric] Do you believe that at this point we are in a position to repair our image in the outside world?

[Prohaska] That is one of the central points in the program of the government of the Republic of Serbia. If it is to be carried out, however, we need consensus, just like every government does.

[Geric] If it is a question of Serbia, are you thinking here of a consensus between the ruling party and the opposition parties?

[Prohaska] I am thinking of a consensus of all, that is, with the economy and the workers, with the trade unions, and, naturally, with the opposition parties as well. Here it is not a question of a proposal to break off dialogue, differing opinions, or parliamentary struggle. It is a question of putting an end to the essential squabbles and of everyone doing his job: the producers to produce, the tradespeople to trade, and those who are fighting for power to fight for power. And, of course, the government has to offer its program, and if it is [original reads "not"] accepted, it has to be given at least some time, a few months, to begin to carry it out. After all, if we started with the program immediately, the first results could realistically occur only at the end of the year.

Important Deals in Kuwait and Israel

[Geric] As far as we have been able to learn, the program of the government of Serbia has been prepared in recent days. Can you tell us about it in a bit more detail, at least in the areas which are your concern?

[Prohaska] It is true that the program has been prepared and that the debate on it is to begin in the Assembly this very week. Numerous manufacturing and commercial enterprises, banks, the Economic Chamber, and trade unions were consulted in arriving at the general conception, but the program itself is based on the efforts of the Serbian Commission for the Economic Reform.

As for that part which pertains to foreign economic relations, it can be said that it is offensive and envisages maximum commitment on markets where this is possible. For instance, we will try to overcome the disrupted relations in trade with the countries that once belonged in the bilateral payments zone with the help of barter agreements, and in the case of the Soviet Union through direct trade with the various republics. For example, that kind of barter treaty for a high value is already to be signed with Russia.

The next point of our commitment will be the Near East, especially Kuwait. It is well known that our firms have built numerous projects in that state which now have to undergo reconstruction (ports, buildings, and roads), and because they have all the necessary documentation it is quite certain that they will get those contracts. Then Serbian firms will be working as subcontractors on projects that go to the Americans, English, and French, and there have already been direct contacts concerning this. Then we expect the embargo to be lifted from projects in Iraq and that here again there will be quite a few opportunities.

[Geric] It is well known that there have also been quite a few problems with collection in this case. Have you estimated the risks of those transactions?

[Prohaska] As far as Kuwait is concerned, it is quite certain that money will be furnished for the first period of reconstruction and that the work will begin in three months, no later than six months.

Aside from these markets, we are also paying a great deal of attention to the more advanced countries, especially Germany, France, Great Britain, Italy, Austria, the United States, and Canada. We also anticipate big jobs in Israel. Contracts have already been let in that country for this year representing about \$100 million for capital investment projects. The general agreement envisages far more than that.

But as for the problem of collecting our claims, we also see that as crucial and we will be making a maximum effort on it. After all, not counting military work, according to figures as of 28 February, Serbia had claims of \$520 million, which is a very big figure. For us, this is in fact "cash" money.

[Geric] What are the chances of actually collecting that money?

[Prohaska] In some cases, good, in others, bad.

[Geric] What else does the program of the Serbian Government call for?

[Prohaska] We will be working to get a rescheduling of debt from the Federation. We will also be involved with some new things about which little is known, for instance, the granting of concessions.

The Misunderstanding Concerning Concessions

[Geric] There are some who think that concessions place the country which grants them into a virtually colonial position, that they have been invented on behalf of exploitation.

[Prohaska] This is a great misunderstanding and conception that dates from the end of the last century. But we are talking about a quite different type of concession. Of the kind of concession which made it possible for most of the roads in Italy to be built in precisely that way, of France, where 1,000 km of highway were built under a concession of just one firm, of England, which is building

a bridge worth \$500 million by means of a concession, and of Turkey, where both bridges over the Bosphorus were built in that way.

Under present-day conditions, concessions are a new type of joint venture within which we will be able to invest a part of the land, and in return we will get not only money, but also a new technology for construction, maintenance, and collection, as well as faster construction. In this effort, our firms will be using their own equipment and manpower to build those roads, and the state will share in a part of the excess profits, which, of course, may also be reinvested.

And then the government program also put strong emphasis on privatization.

[Geric] There is still quite a bit of hesitation about this in our country, if you allow me to make the observation.

[Prohaska] There is no hesitation about this whatsoever for this government. It is true that this is a process which takes time, but it is important that the new package proposal of legislation concerning this will add this as a way in which foreign trading partners can enter into joint ventures.

[Geric] Will the legislation on privatization be in the spirit of our well-known originality?

[Prohaska] Anything but that. We are not inventing any of this, but only applying worldwide experience on our own soil. We are not inventing any new type of stock, nor new stock exchanges, nor new banks.... Incidentally, in the government program we support creation of new joint banks and private banks, we are encouraging private enterprise, and we also intend to make an analysis of a number of our best products, to evaluate their quality and value by world standards, and on the basis of these data to establish ties with international firms.

[Geric] What will the government be doing in this connection?

[Prohaska] It will be offering them support, it will classify them as priorities. We want to make business moves so that big firms will come in here through the front door. But what the forms of cooperation will be, that will depend on the views of both partners and the specific contracts on cooperation. And then the government will also be approving important structural projects.

Large Projects

[Geric] Can you tell us about them in somewhat more detail?

[Prohaska] There are four types of such projects: those now under way, and then those which are at the beginning, those which are in the preparatory phase, and finally those which are only being planned. It is well known, for example, that construction of a bypass around Belgrade is under construction as well as a part of the Belgrade railroad junction, the second section of the Drmno TA [expansion not given], and programs covered

by the loan. Completion of one roadway of the divided highway from Feketic to the Hungarian border is beginning, and at the same time preparations are being made to grant a concession for the construction of the other roadway, which would also include a new bridge over the Danube. Then there are projects for development of joint banks, the development of private enterprises, mobile telephone networks and so-called paging systems, and then also further development of the Belgrade Airport. In the latter case, it is not just a question of a new runway, but also of construction of a shopping center, a hotel, and part of a free trade zone, and so on.

Certainly, the Danube project is also interesting; it involves development of the infrastructure: construction of the port, container facilities, transportation, marinas, facilities for yachting, and hotels. All of this is being done in cooperation with Austria and Germany. Certainly, this will also include the project of the Belgrade Free Trade Zone.

[Geric] You yourself were on the managing board of that free trade zone for a time. Much was said about it, and now it seems to have been a bit forgotten.

[Prohaska] The zone has not been forgotten, but is in a phase of intensive realization. The enterprise was formed as a holding company, and now it is creating individual enterprises. Work is being done, structures are being furnished, project plans are being prepared, a computer-based labor exchange is being put in place, and there is a plan for worldwide promotion, and a uniform law on the zone is being prepared.

[Geric] Are foreigners still interested in this zone?

[Prohaska] The president of one of the most important world banks recently told me: You do not have to convince me of your potential and capabilities. I am aware of that. Just clear up the crisis of confidence, and you will have the bank's entire potential at your disposal. The other day, some of our trading partners asked us whether everything would be all right for at least two or three weeks so that they could manage to complete a deal worth about \$100 million.

There are a great many people interested in coming to the Belgrade Free Trade Zone. It is just that they seem to be waiting for at least one weekend to pass without our well-known events.

[Geric] You are convinced, then, that the program of Serbian Government offers opportunities for us to get out of the crisis, assuming, of course, that our "well-known events" cease.

[Prohaska] The key question, as I have already mentioned, is for us to change the image of us in the world and overcome the crisis of confidence in foreign banks, firms, and international financial institutions. That is also the reason why the Government of Serbia will be

devoting particular attention to the program for business and tourist advertising and general public relations aimed at the outside world. A special group will be created in the government for that purpose. The aim is to inform the world truthfully about Serbia's advantages, about its authentic democratization, about relations within Yugoslavia. Then, partners from abroad will be presented the case for the potential of our economy, market, and the great opportunities offered by our geographic position, they will be given an explanation of all the new statutes which will be modeled after world statutes and will offer maximum advantages for foreign enterprises, auditing and law firms, banks and financiers to come.

[Box, p 7]

Why I Am an Optimist

You ask me why I am an optimist in spite of everything? The reason is simple. Because Serbia has numerous advantages over others, Slobodan Prohaska is categorical. First of all, this republic has a relatively modest foreign debt, less than \$5 billion, and that is only about \$500 in per capita terms. By way of comparison, Hungary's debt is almost five times greater—\$2,400. What is more, it is well known that we have not failed to pay our debts to anyone. Over the last six years, Yugoslavia has received about \$8 billion in new money and returned all of \$23 billion. That in itself proves how potent we are, Prohaska says.

But those are not all the advantages. Our "location" is fantastic, we have a high level of production, we have a very high level of education, and we know how to work. We can confidently say that we are at least 10 to 15 years ahead of the other countries in East Europe!

[Box, p 8]

Taxes Do Not Threaten Hyatt

At the same time, when we were interviewing the deputy prime minister of Serbia, the assembly of Hyatt stockholders was being held. Because the public has been told in this connection that that hotel was in difficulties precisely because of new republic taxes, we asked Slobodan Prohaska what the government has done in this connection and has it done anything at all?

"I say that taxes in Serbia cannot be the reason for Hyatt's troubles," Prohaska told us. "Incidentally, as soon as they asked us, we met with Mr. Michael Evanof, vice president of Hyatt International Corporation, and Steven Thomas, vice president of First Chicago Bank, and explained to them that this is a state in which the law is respected and which is very interested in joint ventures. We also explained that on the basis of Article 7 of the Law on Foreign Investments, the business conditions for foreign trading partners cannot deteriorate from those which prevailed at the time when the contract was signed, and that, of course, also applies to taxes.

[Box, p 8]

Two Systems

In response to our question about where the program of the Serbian Government stands in the Yugoslav environment, Slobodan Prohaska answered that there are a

great many restrictions in that respect because objectively there is a duality of systems. The trouble is not so much that the federal system is imposed on the Serbian system, but that they lie in parallel planes and thus do not touch. In any case, Prohaska adds, Serbia is interested in the Yugoslav market, and a meeting is expected soon between the Serbian and Slovenian governments at which they will discuss possibilities of reestablishing the business ties that have now been severed.

END OF

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